



House of Commons
Public Administration Select
Committee

**Change in
Government: the
agenda for leadership**

Thirteenth Report of Session 2010–12

*Volume I: Report and Appendices, together
with formal minutes and oral and written
evidence*

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The Public Administration Select Committee

The Public Administration Select Committee is appointed by the House of Commons to examine the reports of the Parliamentary Commissioner for Administration and the Health Service Commissioner for England, which are laid before this House, and matters in connection therewith, and to consider matters relating to the quality and standards of administration provided by civil service departments, and other matters relating to the civil service.

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Summary

The Coalition Government has set a sizeable challenge for the Civil Service: to transfer power out of Whitehall and into communities and as a result fundamentally change the way it works. The objectives of the 'post-bureaucratic age' and the 'Big Society' policy agendas will require a more transparent and flexible Civil Service with a new role of commissioning public services from charities, social enterprises, mutuals and private companies. The challenge of this new role is compounded by the need to meet sizeable reductions in administrative budgets set out in the 2010 Spending Review.

We found that while the Government seeks to embrace change, they have failed to recognise the scale of reform required or to set out the change programme required to achieve this reform. There is a reluctance to produce what they see as the latest in a long line of reform initiatives in Whitehall. This antipathy to a plan for reform fails to take note of the critical factors for success in Civil Service reform initiatives and wider corporate change programmes: coordination from the centre and strong political leadership. As a result, key policies like the 'Big Society' agenda and decentralisation will fail.

We have recommended that the Government should produce a comprehensive change programme articulating clearly what it believes the Civil Service is for, how it must change and with a timetable of clear milestones. Such a change programme would enable real change in Whitehall and avoid the fate of previous unsuccessful reform initiatives.

In addition, this change programme must also include proposals for the Civil Service to retain and to develop the new skill sets required to meet the demands of the Big Society policy agenda, and to address long-running concerns about the decline in specialist expertise in Whitehall, the failure to innovate and to take risks, and the failure to work across departmental silos. Such a plan is required to combat inertia and deliver government policies where Ministers and departments may otherwise be unwilling or unable to drive change.

To reflect the changing role of the Civil Service, we have also recommended that the Government should consider the development of a new Haldane model of accountability which can sustain localism and decentralisation; or they must explain how the existing model remains relevant. The new realities of devolving power out of Whitehall to local government and elsewhere should be codified in the Civil Service governance structures.

Ministers seem to believe that change will just happen. It is essential that the Cabinet Office take leadership of the reforms and coordinate the efforts in individual departments and across Whitehall as a whole. The scale of the challenges faced by the Civil Service calls for the establishment of a world class centre of Government, headed by someone with the authority to insist on delivery across Whitehall.

The principal message of this report is that unless there is a comprehensive change programme, there will be little of the real change which was the watchword of David Cameron's manifesto for government, which the Coalition was formed to implement and which is critical to the success of the Government's wider public sector reform programme.

We will continue to scrutinise both the success of the work of the Cabinet Office in leading Civil Service reform and the performance of Whitehall itself through this Parliament and have identified six principles of good governance and change management to aid this process, summarised as **leadership**, **performance**, **accountability**, **transparency**, **coherence** and **engagement**.

1 Introduction

1. The Coalition Government has embarked upon the most ambitious reform of Whitehall since the Second World War. The Prime Minister has promised to “*turn government on its head; taking power away from Whitehall and putting it into the hands of people and communities*”¹ re-empowering local government and communities as part of the ‘Big Society’, increasing transparency and openness with government information and the development of a much more direct relationship between service providers and service users for which modern technology can provide (the ‘post-bureaucratic age’). Alongside the hard reality of the cost pressures on government departments,² this amounts to an unprecedented revolution in the affairs of government. The Public Administration Select Committee supports in principle many of the objectives pursued by the Government in this reform, such as the empowering of citizens and greater transparency of data.

2. To implement change, the nature of government and the Civil Service themselves must change, yet there is little to suggest so far that many ministers and senior civil servants have in fact begun to appreciate the scale of change in Whitehall that is required, or the political and organisational challenges which this represents. It has been widely reported that the Prime Minister’s Director of Strategy, and others at senior levels in the Government, have been exasperated by this lack of progress and are apparently appalled by the ‘custom and practice’ of Whitehall and by the deadweight of inherited policy, not least by the overbearing constraints imposed by the vast body of EU law and regulation and by the direct application of the Human Rights Act.³ The Prime Minister himself appeared to vent his frustration when he referred to “*the enemies of enterprise*” within government.⁴

3. The principal message of this report is that unless there is a comprehensive change programme for government, there will be little of the real change which was the watchword of David Cameron’s manifesto for government,⁵ which the Coalition was formed to implement and which is critical to the success of the Government’s wider public sector reform programme.⁶

4. It is in this context that we sought evidence on the scale and nature of Civil Service reform which may be necessary and asked how such reform should be best managed to ensure success in achieving the Government’s wider public sector reform. Based on this evidence, this report explores whether there is a comprehensive change programme yet in place across government.

5. To aid our future scrutiny of any change process, in our call for evidence we also posited a possible set of principles or elements which could form a framework within which we

1 “Prime Minister’s speech at Civil Service Live”, Number 10 Downing Street, 8th July 2010, number10.gov.uk

2 HM Treasury, *Spending Review 2010*, Cm 7942, October 2010, p. 9

3 “Abolish jobcentres, scrap maternity leave, suspend consumer rights - Cameron’s strategy chief peddles a radical agenda”, *The Financial Times*, 28 July 2011, p 1, “Thinking the unthinkable”, *The Independent*, 29 July 2011, p 4, 5

4 “David Cameron: Building a Better Future”, *The Conservative Party*, 6 March 2011, conservatives.com

5 The Conservative Party, *Invitation to join the Government of Britain: The Conservative Manifesto 2010*, (London; 2010), p iii

6 HM Government, *The Coalition: Our Programme for Government*, May 2010, pp 7-8

could examine the effectiveness of the Civil Service. This report proposes six principles of good governance and change management which the Government should adopt to underpin the change programme as the only sure means of delivering the change the Government has promised.

6. This Inquiry builds on our Report on UK National Strategy earlier in this session which found that there was a deficit of strategic thinking at the heart of government.⁷ This Report also builds on the work of our predecessor Committee who set out five requirements for Good Government: good people; good process, good accountability; good performance and good standards.⁸

7. Over the course of this Inquiry we received 30 memoranda, 16 of which were from Departmental Permanent Secretaries. We also held three evidence sessions where we heard from the Rt Hon Francis Maude MP, Minister of State at the Cabinet Office (the Minister), Sir Gus O'Donnell, Cabinet Secretary and Head of the Home Civil Service, three former Cabinet Secretaries and three serving Permanent Secretaries, in addition to representatives of think tanks and the academic world. We also held a number of private meetings with former and present ministers, and a workshop with representatives of the National Audit Office, the Parliamentary and Health Service Ombudsman, the Institute for Government and a number of academics to discuss developing principles of good governance and change management. We would like to thank all those who contributed to the Inquiry and our specialist advisers on this Inquiry, Dr Catherine Haddon and Dr Jon Davis.⁹ We also appointed a third specialist adviser, Professor Andrew Kakabadse, towards the end of this Inquiry (and subsequent to the evidence he provided to us), to carry out an analysis of Whitehall departmental change programmes. This work was published as our Eleventh Report of this session, *Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans for structural reform*, and has informed the conclusions and recommendations of this report.¹⁰ 14 of the Departmental Permanent Secretary letters were published and analysed in that report. Two departments (the Department for Culture, Media and Sport and the Department for International Development) produced their responses some three months after the original deadline. We strongly deprecate the delay in providing these memoranda. These replies and accompanying analyses by Professor Kakabadse are at Appendix 2 and should be read in conjunction with our earlier report.

7 Public Administration Select Committee, First Report of Session 2010-2012, *Who does UK National Strategy?*, HC 435

8 Public Administration Select Committee, Eighth Report of Session 2008-2009, *Good Government*, HC 97-I, para 10

9 Dr Catherine Haddon and Dr Jon Davis were appointed as Specialist Advisers to the Committee for this inquiry on 23 November 2010. Professor Andrew Kakabadse was appointed as a Specialist Adviser to the Committee for this inquiry on 7 June 2011.

10 Public Administration Select Committee, Eleventh Report of Session 2010-12, *Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans for structural reform*, HC 901

2 Reforming Whitehall and the Civil Service

A reform industry

8. Many attempts to reform Whitehall and the Civil Service have ended in failure or have simply petered out. We sought to consider what factors are essential in ensuring that this pattern is not repeated.

9. The Northcote-Trevelyan report of 1854 established the modern, permanent Civil Service. It took another nearly 160 years to enshrine in legislation its four core values of integrity, honesty, objectivity, and impartiality.¹¹ Between these two landmarks the Civil Service has been subject to frequent reform initiatives of limited success under successive governments (a selected chronology is at the Annex). The intention behind these reforms has been to ‘modernise’ the Civil Service in terms of greater efficiency, better service delivery and improved capacity. The 1968 Fulton Committee, for example believed that:

The Home Civil Service today is still fundamentally the product of the nineteenth-century philosophy of the Northcote-Trevelyan Report. The tasks it faces are those of the second half of the twentieth century ...

In our view the structure and practices of the Service have not kept up with the changing tasks.¹²

10. More recently the Civil Service has undergone smaller-scale reforms aimed at professionalising and increasing the skills of staff. The Modernising Government initiative sought to join up policy making and improve public services by placing the user at the centre of delivery.¹³ Another long-term change initiative is the Professional Skills for Government programme, which sets out the six core skills all senior civil servants should have, and aims to “*move away from the concepts of “generalist” and “specialist”, and create a Civil Service where all staff are specialists of one form or another*”.¹⁴

11. The chronology of Civil Service reform demonstrates that although the way reform is undertaken has changed, with less use of formal commissions or independent committees, there is nothing new about the belief that Whitehall needs to change and modernise and the use of reform initiatives to achieve this change.¹⁵ In fact the frequency of such initiatives led one of our witnesses, Professor Christopher Hood, to describe it as “*a reform industry*”.¹⁶

11 Constitutional Reform and Governance Act 2010, section 7

12 *Report of the Committee on the Civil Service, 1966-68*, Cm 3638, June 1968, vol. 1, pp 9, 10

13 *Civil Service, Modernising government*, Cm 4310, March 1999

14 Public Administration Select Committee, Ninth Report of Session 2006-2007, *Skills for Government*, HC 93-I, para 39

15 Q 2 [Professor Hood]

16 *Ibid.*

12. Professor Andrew Kakabadse described the need for reform by each incoming government as:

exactly the same in the private sector [where] the need or urge for reform is really very prominent when there is a change of chairman or chief executive.¹⁷

Another witness, Professor Martin Smith, suggested it was because:

... the world is a difficult place to control. Government therefore intend to do one thing, but often there is another outcome and the Civil Service is blamed. The reforms keep continuing partly because of that frustration.¹⁸

Dr Martin Lodge listed a third reason: reform as a reaction to previous changes which had led to unintended consequences.¹⁹ A number of former ministers we spoke to privately presented a further reason for continued reform: that Whitehall departments were faced with situations, such as global terrorism and cyber crime, which changed faster than institutional reform could keep pace with.²⁰ A similar point was made by the former Prime Minister, Tony Blair, in his memoirs:

This Civil Service had and has some great strengths it was simply, like so much else, out of date. Faced with big challenges, it thought small thoughts.²¹

13. In contrast, former heads of the Civil Service as well as the current one portrayed the various reforms as incremental improvements. Lord Armstrong of Ilminster (Cabinet Secretary and Head of the Civil Service, 1979—1987) explained how:

Yesterday's reform does one thing, then you find some other need and you have to modify and go to that, and that is a new form of Civil Service reform ... It is a process of constant adaptation within the general principles of the Civil Service's responsibility to Ministers, and Ministers' accountability to Parliament.²²

For one of his successors, Lord Wilson of Dinton (1998—2002):

Each wave follows the previous wave and moves the service on, and that is how these things are bound to work. Every Government needs something a bit different from the previous Government ... It is bound to be a process of constant adaptation and development, rather than a big once-and-for-all change that alters it.²³

Lord Turnbull (2002—2005) told us that “*very few [reforms] get reversed; they get built on.*”²⁴

17 Q 36

18 Q 2 [Professor Smith]

19 Q 2 [Dr Lodge]

20 Discussions with former ministers, April 2011

21 Tony Blair, *A Journey*, (London, 2010), p. 206

22 Q 142 [Lord Armstrong]

23 Q 143 [Lord Wilson]

24 Q 143 [Lord Turnbull]

14. The current Cabinet Secretary, Sir Gus O'Donnell cited increased diversity and professionalism as a good example of this incremental improvement:

When I joined in 1979 there was a Sir Humphrey element to [the Civil Service]. I looked up and I saw all male permanent secretaries; there were no professionally qualified finance directors. You ended up in HR if you could not do policy. People that did operational work were third-class citizens; they were not even second-class citizens. That has changed radically and I think that we are changing that world where people who do operational issues are really given equality of esteem. Those things have changed.²⁵

15. It is argued that in the last decade there has been a measurable and objective improvement in the performance of the Civil Service. In 2009, the Institute for Government described the UK as “*among the world's highest performing governments*” and cited evidence from the World Bank that in 2008 the UK was “*the 10th most effective government in the OECD*”, compared to 14th in 2003”.²⁶ The Capability Review process, introduced by Sir Gus in 2006, first benchmarked capability in Whitehall departments and then measured progress. By the end of 2009, all major departments were re-reviewed and it was reported that 95% of areas that were assessed in the baseline reviews as needing urgent development had been addressed.²⁷ In particular, progress was reported in terms of leadership, most notably in the capability and effectiveness of top leadership teams, and in strategy, with departments improving how they used evidence and analysis in policy making.²⁸ Sir Gus argued that the reviews had “*resulted in big improvements in capability in departments*”.²⁹

16. Despite this, we heard from the think-tank Reform that former ministers still believe that large-scale reform of the Civil Service is necessary.³⁰ It is important to understand why this is so. There is also widespread frustration about Civil Service inertia, even obstruction to new policies, in some parts of Whitehall and a concern that the Civil Service has lost specialist expertise, professionalism and respect.

Aims of Civil Service reform

17. One possible reason why it is believed that the Civil Service needs further reform is that there is an over-expectation of what the Civil Service can deliver. Today, the Government is expecting the Civil Service to reform itself and to downsize at the same time. This is a massive challenge. In the aftermath of John Reid's description that part of the Home Office was not “*fit for purpose*”³¹, Lord Wilson wrote:

25 Q 207

26 Institute for Government, *State of the Service* (London: 2009), p 11

27 Civil Service, *Capability Reviews: An overview of progress and next steps* (London: 2009)

28 *Ibid.*

29 Q 287

30 Ev 62

31 Oral evidence taken before the Home Affairs Committee on 23 May 2006, HC (2005-2006) 775-III, Q 866

The real question is whether reform of the Civil Service alone will ever be enough, or whether we must take a more fundamental look at what we can realistically expect from central government.³²

18. Matthew Taylor, former adviser to the then Prime Minister Tony Blair and now head of the RSA, concurred:

The question should not simply be ‘has the department delivered what it was supposed to’ but also ‘was it ever reasonable to expect the department to deliver what was asked of it’.³³

Professor Matthew Flinders made a similar point:

One unfortunate element of the public service reform agenda in recent years has been a tendency for ministers to encourage members of the public to expect and demand the same levels of service that they would expect from the private sector. This risks raising public expectations to a level that the public sector has never been expected or resourced to deliver.³⁴

19. This divergence in perceptions about the Civil Service goes to the heart of the problem. Too often Civil Service reforms seem to have become an end in itself for Whitehall, instead of a means of delivering a wider public service reform agenda. As our witness Professor Martin Smith observed:

Without thinking very clearly about what the Civil Service is, what it should do and what a good Civil Service would look like, it is very difficult to work out how to reform it.³⁵

20. Indeed, Tony Blair has acknowledged that the Civil Service could not themselves be held responsible for not knowing what vision the Government had in mind for them and consequently not being as radical as the Government wished. He wrote in his autobiography:

In 1998, I began with Sir Richard Wilson the new Cabinet Secretary, the first stage of Civil Service reform. And to be fair he got behind them thoroughly. But – and this is a criticism of me, not of him or the Civil Service – they were like many of the other reforms: talking the right language but shying away from the really radical measures.³⁶

21. The need for frequent Civil Service reform programmes over the years can be attributed to failure to consider what the Civil Service is for, what it should do and what it can reasonably be expected to deliver. Government needs to articulate a clear view of what it wants from the Civil Service and how it intends to achieve it. This must be

32 “A new PM must rebuild civil servants’ trust in politicians”, *Daily Telegraph*, 16 January 2007, p22

33 A truly radical approach to Civil Service reform, *Matthew Taylor’s Blog*, 29 January 2009, matthewtaylorblog.com

34 Ev w24 [Note: references to Ev wXX are references to written evidence published in the volume of additional written evidence published on the Committee’s website]

35 Q 2 [Professor Smith]

36 Tony Blair, *A Journey*, (London, 2010), p. 206

articulated with greater clarity in departmental business plans. The Civil Service should be more rigorous in demanding this clarity from Government.

What do ministers want from the Civil Service?

22. We spoke to a number of former ministers about how Whitehall had operated and changed during their time in office.³⁷ They mostly praised the quality and professionalism of the officials working in their departments, but told us that Civil Service reform was rarely one of their priorities. Indeed, they often had little or no knowledge of any reform programme in progress. They reported that these reform programmes failed to have an impact on how their department operated and found that the issues of most concern to them regarding performance in Whitehall were not addressed in their time in office.³⁸

Specialists

23. In their evidence former ministers said they had wanted more subject matter experts on the policy areas for which they had had responsibility as ministers.³⁹ They complained, for example, that in the Department for Education's predecessors no one in charge of school policy had actually ever run a school, and that in the Department for Transport there were no officials who were sufficiently technically expert on developments in transport issues such as high speed trains. They also said they felt exposed when dealing with sectoral interests without countervailing advice from their officials, for example in regulating certain sectors of the economy or managing contractual relationships with commercial suppliers. In this more complex world they wanted more specialist support.⁴⁰ For example, extensive contracting out has led to a loss of expertise which is still required within departments to properly manage and negotiate contracts and procurement.⁴¹

24. In contrast, Ian Watmore, Chief Operating Officer of the Efficiency and Reform Group at the Cabinet Office, insists that the Civil Service now had many more skills to call upon and thought it was:

fantastic the way that we have brought some of the really best people from the private sector, the third sector and local government into the Civil Service and blended them with the traditional Civil Service skills.⁴²

Sir Gus O'Donnell also claimed that today we have a more professionalised Civil Service with qualified finance directors and an increase in the professional groups such as statisticians and economists. He argued that "*you do have a specialist that can get to the top. That is a very, very good message about the professionalisation of the Civil Service.*"⁴³

37 *Ibid.*

38 *Ibid.*

39 *Ibid.*

40 *Ibid.*

41 Public Administration Select Committee, Twelfth Report of Session 2010-12, *Government and IT – "a recipe for rip-offs": time for a new approach*, HC 715-I, para 109

42 Q 274

43 Q 278

25. We have previously also reported how the Civil Service is developing IT specialists through the Technology in Business Stream of the Civil Service Fast Stream Programme (established in 2007-08) and bringing in IT specialists from the SME sector.⁴⁴ **We welcome the steps taken by the Civil Service to develop and bring in IT specialists, though such initiatives in themselves will not address the more specific concerns about performance in this field raised with us by former ministers. The Civil Service must also build up specialist expertise in outsourcing contract management and procurement.**

Greater risk taking

26. A risk averse culture in Whitehall has been viewed as a block on wider public sector reform, epitomised, for example, by the well-known quote from the then Prime Minister, Tony Blair, of the “scars on his back” from battling the Civil Service on the issue of public sector reform after only two years in office.⁴⁵ The present Prime Minister, after a year in office, revealed some frustration with Whitehall in his speech to the Conservative Party Spring Conference, where he announced the Government’s intention to take on “bureaucrats in government departments” who he described as “enemies of enterprise”.⁴⁶ This statement apparently caused the Cabinet Secretary some concern, to the extent that he reportedly asked the Number 10 Permanent Secretary “to calm things down”.⁴⁷

27. A contrasting view of Civil Service capabilities came from Lord Wilson, who argued that the Civil Service had shown that it was able to manage large public sector change repeatedly. The privatisation programme in the 1980s, for example, had been “very successful and a pretty big change”.⁴⁸ Our private discussion with former and current ministers revealed that while they believed it was the role of Ministers to offer the political lead to Whitehall, they noted the constitutional inability of the political head of the department to address poor performance and believed that selection, training and promotion arrangements could be enhanced to develop a more innovative and entrepreneurial culture in Whitehall.⁴⁹

28. The Minister, Francis Maude, described the paradoxical situation where Government took huge risks at a macro level, but at a micro level tended to be very risk averse and hostile to innovation. He wanted a change from the current culture where:

we waste a huge amount of time and effort in stopping bad things happening and the result is we stop huge amounts of potentially good things happening as well.⁵⁰

44 Public Administration Select Committee, Twelfth Report of Session 2010-12, *Government and IT – “A recipe for rip-offs”: Time for a new approach*, HC 715-1, para 111

45 “Blair risks row over public sector”, *BBC News*, 7 July 1999, news.bbc.co.uk

46 “David Cameron: Building a Better Future”, *The Conservative Party*, 6 March 2011, conservatives.com

47 “Whitehall anger at Cameron’s red tape attack”, *The Daily Telegraph*, 16 March 2011, p 8, “Cameron red tape attack hacks off mandarins”, *Financial Times*, 15 March 2011, p 7

48 Q 151 [Lord Wilson]

49 Discussions with former ministers, April 2011

50 Q 208 [Francis Maude]

We note that he offered no specific solutions to this problem at the time that he said this. This suggests that Ministers do not yet know how to challenge the bureaucratic inertia in the system, which also explains why there is no clear plan for change.

A more cross-cutting approach

29. Former ministers also said that attempts to improve the effectiveness of government have been hampered by the tendency of the Civil Service to continue to work in departmental silos, despite the benefits of joined-up working.⁵¹ The previous administration's 2009 report 'Wiring it Up' set out the then Government's policy for dealing with these departmental silos and removing barriers to cross-departmental working, in particular by devising cross-cutting Public Sector Agreements (PSAs) extending across two or more departments.⁵² Nonetheless the Institute for Government told us that:

mechanisms for co-ordinating policy and delivery between departments are still dominated by siloed thinking, making it difficult to manage cross-cutting policy issues.⁵³

This silo effect has meant that the former ministers found it difficult to express a general view of the Civil Service, instead describing a variety of experiences across the Civil Service during their ministerial career. One former minister described the Civil Service as a "conglomerate" rather than a single organisation.⁵⁴

30. Cross-departmental working remains a weakness for the Civil Service. We expect to consider the role of the Head of the Home Civil Service in this respect in the course of a future Inquiry.

Less frequent staff turnover

31. Former Ministers also complained that a high turnover of senior civil servants led to a lack of continuity and the loss of 'corporate memory' from departments. This caused particular difficulties where officials for major projects had moved on during their lifespan, disrupting the accountability chain if and when such projects failed.⁵⁵ One former minister said that the term 'permanent Civil Service' was a misnomer. Another observed that just as the turnover of ministers made them more dependent on their officials, so the turnover of senior staff made them dependent on their longer-established, more junior officials. Such a trend shows no sign of abating: there has been a significant changeover of permanent secretaries in recent months, many of whom were drawn from other departments.⁵⁶ Jill Rutter from the Institute of Government has observed that

51 Discussions held with former ministers, April 2011

52 Cabinet Office, *Wiring it up: Whitehall's Management of Cross-cutting Policies and Services*, January 2000

53 Ev 59

54 Discussions held with former ministers, April 2011

55 *Ibid.*

56 "Impermanent Secretaries", *Institute for Government blog*, 31 March 2011, instituteforgovernment.org.uk

By the first anniversary of the government, of 16 departments, only six will not have had a change of permanent secretary – so ministers, all of whom have under a year's experience in all those departments, will all have someone with less experience at the top.⁵⁷

32. We recommend that after any change of its Secretary of State, the Permanent Secretary of a Department should ideally remain in post for a minimum period of 12 months to maintain corporate memory and an in-depth knowledge of the workings of the Department. The Civil Service should also plan for much greater continuity among its senior contract and project managers.

33. The Civil Service inspires much admiration and loyalty from ministers, most of whom take full responsibility for the conduct of their departments rather than blaming officials for departmental failings. However, despite successive programmes of reform and some undoubted and successful change and modernisations of the Civil Service, Ministers remain dissatisfied with and disconnected from the outcomes. There is a wealth of evidence in Whitehall that, despite the attempts of Ministers and senior civil servants, departments lack expertise and specialist knowledge and the confidence to make decisions and implement them quickly. Departmental silos remain a constant concern, along with a risk-averse culture and bureaucratic inertia. The Civil Service 'establishment' remains complacent about this.

34. Ministers want, and the public interest demands, a more innovative and entrepreneurial Civil Service which fosters and retains expertise aligned to the policy or major project lifetime and can work across departmental boundaries to address cross-cutting issues. Numerous Civil Service reform initiatives have so far failed to deliver these outcomes on a consistent basis. Our chief concern is that the latest efforts to reform Whitehall will fail unless these concerns are comprehensively addressed with a clear plan.

3 The new drivers for reform

35. The new Government came into office with two main priorities: cutting the fiscal deficit and implementing its Big Society agenda (opening up public services to a wide range of providers, and devolving accountability to the lowest possible levels). These specific priorities are two new drivers for Civil Service reform, to add to the long-running concerns about the Whitehall performance we have outlined above. This amounts to a far more radical agenda for change than seen for many decades. Ian Watmore has said that to meet the demands placed on it, the Civil Service must “*focus simultaneously on cutting costs as well as improving services and reforming the way things are done*” adding that “*it’s that combination that will dictate whether the government is perceived to be successful*”.⁵⁸ This sets the Civil Service with a substantial challenge to reform radically and quickly.

Decentralisation and the Big Society

36. In May 2009 David Cameron promised “*a redistribution of power [which] will be felt throughout our politics with people in control of the things that matter to them, ... and power redistributed from the political elite to the man and woman in the street*”.⁵⁹ He talked about the need to address the challenge of the “*post-bureaucratic age*”.⁶⁰ The consequences for the provision of public services were set out by the now Minister for Government Policy, Rt Hon Oliver Letwin MP, in a speech to the Institute for Government in January 2010. He argued that citizens expected to have a wide range of choices available and have those choices met, but that current service provision fails to deliver this. Mr Letwin advocated three principles: decentralisation, accountability and transparency.⁶¹

37. Ian Watmore described the need for a “*profound change*” in the Civil Service to address the Big Society and post-bureaucratic age, but we have been given little indication of the practical terms of such a change.⁶² Mr Watmore indicated that officials would be required to “*work with communities at a very local level in different ways*”.⁶³ Sir Suma Chakrabarti, Permanent Secretary at the Ministry of Justice, told us that “*... a new task for the Civil Service, or maybe a renewed task—is to ensure civil society does have the tools to ask the questions that it needs to*”.⁶⁴ Dame Helen Ghosh, Permanent Secretary at the Home Office, described the nature of the challenge as:

58 “Profile: Ian Watmore”, *Civil Service World*, 27 May 2011, network.civilservicelive.com

59 “David Cameron: A new politics: The post-bureaucratic age”, *The Guardian*, 25 May 2009 guardian.co.uk

60 *Ibid.*

61 “Oliver Letwin: Bureaucratic Public Services: Proposals for Reform”, *Institute for Government*, 11 January 2010, instituteforgovernment.org.uk

62 Q 155

63 Q 155

64 Q 157

... both learning to let go, in terms of the levers of power, moving into those different kinds of world, and learning how to facilitate and ... helping support the capacity of local people to make decisions and form their own future.⁶⁵

We have found little evidence of the detail of the specific changes which will be required in terms of roles, structure, accountability and training. We believe this is one reason why the Government's decentralisation and Big Society policies are perceived to be failing.

38. For the Civil Service to commission services from a far more diverse provider base will require, as Professor Flinders told us, "*a quite different set of skills to those traditionally cherished within the Civil Service*".⁶⁶ Julian McCrae concurred:

The set of professional skills that you might have had in the Sir Humphrey era won't be the set of skills that can run disaggregated market provision with outcome-based contracts, for example. You need to know a lot about how to write a contract if you are going to do that kind of policy, which probably puts less weight on drafting.⁶⁷

Professor Kakabadse has identified what this new skill set or capability should be. In addition to the well established three "core" Civil Service capabilities of policy design and development, service delivery excellence and agency relationship management he identified a "fourth capability", namely stakeholder community support.⁶⁸

39. The main change of task, which will affect many but not all departments, will be the increase in commissioning and contracting. More onerous and time-consuming, however, will be monitoring the contracting process and dealing with problems and complaints arising. It must be recognised that the Government's obligation is to the service user, not the contractor. The mechanism by which this can be achieved by the affected departments, and the implications for their resources, does not seem to have been considered but is key to both success and accountability.

40. Whitehall has traditionally performed three core roles: policy advice, the management of public services, and the supervision of public bodies. If the Civil Service is to connect with Ministers' ambitions for public service reform a fourth capability will need to be added to this trio: the ability to engage with groups from the voluntary and private sectors through the contracting and commissioning process. Every government department must focus on developing this fourth capability, and the Cabinet Office must ensure that this is embedded in the Civil Service change programme across government.

Spending cuts

41. The 2010 Spending Review requires a 34% cut in administration budgets across the whole of Whitehall and its arms-length bodies with the aim of saving nearly £6 billion a

65 Q 158

66 Ev w23

67 Q 42

68 Ev 69

year by 2014-15.⁶⁹ Dame Helen Ghosh explained the urgency of the funding situation, telling us that there was no question of the department not living within its means as “*the money has simply disappeared from our budgets. This is not a theoretical exercise.*”⁷⁰

42. Sir Suma Chakrabarti told us that the scale of spending reductions of £500 million a year from his budget meant that his department had to make more than just incremental changes.⁷¹ Such spending reductions could therefore not be achieved without structural reform to departments, as they go far beyond what could be achieved solely through recruitment freezes and natural wastage.⁷² To achieve such savings, one of our witnesses, Julian McCrae, said that this would require a reform of the Civil Service different in type and scale from those carried out previously:

I think we have something that is very different now from the historical approaches to Civil Service reform. The spending review settlement forces change upon Whitehall in a way that we haven't had before.⁷³

Professor Christopher Hood agreed:

... you are looking at reductions for which the nearest parallel would be what happened after 1945 in the demobilisation years. ... the Civil Service pulled right back from being a big delivery organisation controlling timber, milk and everything like that. It pulled right back into a policy role. In that case, you did see—not all at once but over time—a shift in the role of the Civil Service. If these levels of reduction are to be achieved, it can't just be done in an incremental way.⁷⁴

43. The Office of Budget Responsibility (OBR) in March 2011 forecast that the reduction in general government employment as a consequence of the Spending Review would be around 310,000 between 2010-11 and 2014-15.⁷⁵ While the full impact on each individual department is not yet clear, all departments have introduced voluntary redundancy schemes, and some have disclosed their predicted reduction in staff numbers. For example, the Ministry of Justice estimated they would “*lose around 15,000 posts*”.⁷⁶

44. Recent analysis by the Institute for Government of the most recent Office for National Statistics data on Civil Service headcount shown that there has already been an “*an overall headcount reduction of 4.2% in Whitehall since the spending review*”.⁷⁷ The main impact at this stage has been at the most senior levels: there has been a 14.5% reduction in top civil servants in Whitehall departments since the summer of 2010.⁷⁸

69 HM Treasury, *Spending Review 2010*, Cm 7942, October 2010, p. 9

70 Q 164

71 Q 173

72 Ev 60

73 Q 37

74 Q 17

75 Office for Budgetary Responsibility, *Economic and Fiscal Outlook*, Cm 8036, 23rd March 2011

76 Eleventh Report from the Public Administration Select Committee, Session 2010-12, *Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans for structural reform*, HC 901, p 10

77 “Whitehall Monitor #7” *Institute for Government*, June 2011, instituteforgovernment.org.uk

78 *Ibid.*

45. The decrease in staff numbers will make it impossible for Departments to deliver the same functions as previously. Instead, Departments must focus on the key functions only they can provide. Dame Helen Ghosh, Permanent Secretary at the Home Office, said:

We know we will have fewer staff and less financial resource at the centre, and what we need to focus on is doing the things that really make a difference.⁷⁹

46. Beyond such statements, we have seen no clear evidence of how staffing reductions will be achieved. The NAO reports that it is not clear how these reductions will be managed and what the potential effect will be on the business of government and on public service delivery.⁸⁰

47. We heard of the possible dangers of planning spending reductions without clear knowledge of the future role and functions of each department. Professor Kakabadse said that *“the best way to damage a sophisticated structure is to have an unthinking across the board cost reduction exercise that takes out the good with the bad.”*⁸¹ Similarly the Association of Chartered Certified Accountants warned Ministers to be *“alert to the ‘tipping point’ where budget reductions go too far and adversely affect policy outcomes.”*⁸²

48. We were also advised by Martin Stanley, former Chief Executive of the Competition Commission and Principal Private Secretary at the Department for Trade and Industry, that reductions in spending should not happen without consideration of what the role and key functions of the department should be.⁸³ Instead our evidence recommended that the process of change should be *“a deliberate transformation with a clear vision at the end of it”*⁸⁴, creating a Civil Service *“fit for present and future generations.”*⁸⁵

49. Voluntary redundancy programmes are being carried out in some departments without a thorough assessment of required roles and functions. We recommend that the Cabinet Office monitors individual departmental change programmes to ensure that redundancy programmes are conducted in accordance with departments’ requirements to retain and develop the key skills required to maintain the core commitments and long-term performance of each department.

50. The Civil Service has prided itself on reform through gradual change, building on past initiatives and adjusting to the priorities of each new government. We recognise that this is particularly challenging at a time of both an increase in requirements and a reduction in staff. We consider that incremental improvements of this sort will not be sufficient to meet the scale of change implied by both the decentralisation agenda and the structural impact of a reduction by one-third of the administration budget of Whitehall. This will require considerable structural organisational reform of the Civil Service.

79 Q 167

80 NAO, *The Efficiency and Reform Group’s role in improving public sector value for money*, HC 887 (2010-2011), p 11

81 Ev 69

82 Ev w21

83 Ev w10

84 Ev w19

85 Ev w20

4 A coherent plan for Civil Service change?

51. Given the scale and nature of the changes to the Civil Service required we looked for evidence of a coherent change programme for reform, or evidence of coherence between individual and separate departmental change programmes and cross-Whitehall central reform initiatives (such as the Efficiency and Reform Group). At the heart of our Inquiry was the question of whether the Government have fully set out a coherent plan for reform.

52. Following the General Election in May 2010, the Programme for Government promised to *"improve the Civil Service, and make it easier to reward the best civil servants and remove the least effective."*⁸⁶ The main focus of the Government's approach so far has been to increase efficiency, most notably through the establishment of the Efficiency and Reform Group which is tasked with helping departments to make the efficiency savings set out in this Government's first Budget and the commitments in the 2010 Spending Review. This approach has been characterised by the Minister as the "loose-tight balance" where policy is being devolved to the local front line but where some of the corporate aspects of government, on property, procurement, IT are subject to a more centralised approach in order to achieve efficiency savings.⁸⁷

53. Beyond increasing efficiency in the Civil Service, early in the life of the new administration both the Prime Minister and the Minister for the Cabinet Office set out the need for *"a new chapter of reform"* to create a Civil Service in 2020 that would be:

Smaller and more strategic, focusing on the core activities the Service needs to perform in order to deliver quality and value for money public services

Modern and flexible

High performing, with the professional skills to drive efficiency and performance

Flatter, less hierarchical, and more encouraging of innovation

Able to deliver efficiently and effectively itself and through others.⁸⁸

54. To achieve this outcome, reform would focus on four specific areas:

An open and well managed Service, driving performance and value for money

A Service with a modern employee offer

A skilled and capable Service

A streamlined Service.⁸⁹

86 HM Government, *The Coalition: Our Programme for Government*, May 2010, p 27

87 Q 159, 210

88 "Francis Maude's speech to the Civil Service", *Cabinet Office website*, 8th July 2010, cabinetoffice.gov.uk

89 *Ibid.*

The need for a clear change programme

55. The plan for the 2020 Civil Service necessitates reform in Whitehall. What the Government has not done is to explain how this change will be brought about or how it has tasked the Civil Service with turning these objectives into reality. As Martin Stanley pointed out:

... neither the Prime Minister nor Mr Maude promised fundamental Civil Service reform, nor does the Government appear to have considered the need for such reform.⁹⁰

Andrew Haldenby of Reform concurred:

... the Government have got a problem. They want to achieve the radical decentralisation of power that we are talking about. The last Government came to the conclusion that you have to reform Whitehall to do that, and this Government are not going to take that step. That is the problem.⁹¹

56. As Julian McCrae told us, this leaves the Government without a strategy:

The big question at the moment, the bit that's missing from this puzzle, is what does the Civil Service look like in three or four years' time, which is the length of time that this will take? What's the blueprint that people can aim for, so they know whether they are on the right course?⁹²

57. Yet there is antipathy in Government to the idea of such a plan. Francis Maude rejected the idea of a central plan to reform the Civil Service. The Minister stated:

I think the point has been made that there has been a series of plans and blueprints and reports and White Papers over the years, but actually not all that much changes dramatically. The rhetoric has often outstripped the delivery. I am more interested in us doing stuff.⁹³

58. In his evidence to us Ian Watmore promised that:

... there is a White Paper coming out in the nearish future—I do not know the exact date—on public service reform, within which there will be aspects of Civil Service reform ...⁹⁴

The Open Public Services White Paper was eventually published on 11 July 2011. The only explicit reference we can find to Civil Service reform is at page 51 where, after listing the key roles which central government will focus on, it states that opening up public services and wider decentralisation of power “*has profound implications for the role of Whitehall in the future*”.⁹⁵ It goes on to say that the Government will consult on these core government

90 Ev w9

91 Q 49

92 Q 39

93 Q 209

94 Q 205 [Ian Watmore]

95 HM Government, *Open Public Services White Paper*, Cm 8145, July 2011, p 51

roles particularly on the future shape of the policy, funding and regulatory functions in Whitehall and beyond.⁹⁶

59. We asked Mr Watmore whether this was the extent of commentary on civil service reform he envisaged would be in the White Paper in his response to us, and when the Government planned to consult about these core government roles.⁹⁷

60. The response was limited in detail. Mr Watmore said:

The White Paper recognised that the programme set out in the White Paper implied significant change for the future role of Whitehall and committed to a future consultation on core Government roles in future ...

Additionally we are considering as part of the Open Public Services listening exercise precisely how best to lead the subsequent implementation effort. When that is determined and agreed with Ministers we will let the Committee know of the details.⁹⁸

61. **The Open Public Services White Paper offers only the most minimal recognition that the decentralisation agenda inevitably has a consequential and fundamental impact on the Civil Service. It does not contain detail on the “*aspects of Civil Service reform*” promised by Ian Watmore in his evidence to us in March 2011.⁹⁹ Moreover, its commitment to consult on the future shape of the policy, funding and regulatory functions in Whitehall suggests a lack of urgency in Government which is without a coherent change agenda or set of steps that would constitute a comprehensive plan. In short, the Government has not got a change programme: Ministers just want change to happen: but without a plan, change will be defeated by inertia.**

Key elements of a reform plan

62. The Civil Service reforms required should be understood in their totality even if the individual elements are not implemented as a single, major change programme. Other major reforms by successive governments that attempted to alter the role and structure of the Civil Service included both single wholesale reform projects and the process of continual improvement and targeted efforts to change specific areas. We consider that a number of key factors for success specifically relevant to large-scale Civil Service reform are vital to the success of change programmes in Whitehall:

- a) **Clear objectives:** there must be a clear understanding of both what the Civil Service is being transformed from and to, as well as the nature of the change process itself. This requires both a coherent idea of the ultimate outcome, but also how clarity on how to ensure coordination of the reform programme and how to communicate that throughout the process.

⁹⁶ *Ibid.*

⁹⁷ Ev 71

⁹⁸ Ev 71

⁹⁹ Q 205 [Ian Watmore]

- b) **Scope:** The appropriate scope for the reforms must be established at the outset; with focused terms of reference, but also wide enough to be able to explore all necessary issues.
- c) **Senior buy-in:** A political belief that reform is needed must be matched by the same belief within the Civil Service and ministers, and both should be clear on their roles in delivering it. Sustained political support and engagement from all ministers is crucial.
- d) **Central coordination:** Either the Cabinet Office or reform units such as the Efficiency and Reform Group must drive the change programme. This requires good quality leadership of such units and a method of working which ensures collaboration with departments, and Prime Ministerial commitment.
- e) **Timescales:** There must be a clear timetable with clear milestones to achieve optimal impact and to ensure political support is sustained. The lifespan of the change programme should include the time taken for reforms to become embedded. Two to three years is likely to be the most effective; beyond this period reform bodies may experience mission creep.¹⁰⁰

63. Measured against the factors for a successful change programme, the Government's approach to Civil Service reform currently falls short. There is no clear or coherent set of objectives, nor have Ministers shown a commitment to a dynamic strategic problem solving approach to change. The Cabinet Office have signalled their commitment to change the culture of Whitehall, but we have not yet found sufficient evidence to imply a coherent change programme. In the absence of leadership from the Cabinet Office, departments are carrying out their individual programmes with limited coordination and mixed levels of success. Without clear leadership or coordination from the centre, setting out, in practical terms, how the reform objectives are to be achieved, the Government's reforms will fail.

64. The Government has embarked on a course of reform which has fundamental implications for the future of the Civil Service, but the Government's approach lacks leadership. The Minister rejected the need for a central reform plan, preferring "doing stuff" instead.¹⁰¹ We have no faith in such an approach. All the evidence makes clear that a coordinated change programme, including what a clear set of objectives will look like, is necessary to achieve the Government's objectives for the Civil Service. The Government's change agenda will fail without such a plan. We recommend that, as part of the consultation exercise it has promised about the future role of Whitehall, the Government should produce a comprehensive change programme articulating clearly what it believes the Civil Service is for, how it must change and with a timetable of clear milestones.

65. Successful reforms have key factors in common. We recommend that the Government should set out how it is sharing good practice from previous transformation programmes, in Whitehall and beyond, and ensuring that such lessons are applied.

100 Ev 72

101 Q 209 (Francis Maude).

5 Scrutinising the change process

Principles for good governance and change management

66. An important question for us at the outset of this Inquiry was how we would be able to scrutinise the operation and results of any change programme. In our call for evidence we posited various principles or elements which should underpin change in government and our examination of the effectiveness of the Government's change programme.

67. Some of our witnesses focused on a more practical set of questions to measure reform. One witness, Julian McCrae, put it in the following terms:

Can the Civil Service and Ministers jointly articulate what this Civil Service or [what] this Department will look like in four years' time, and then answer the subsequent questions of what that actually means? How do you get there? What are you doing about investment in your staff, skills, and so on? Thirdly, can you point to the things and the numbers—the figures you are looking at—telling you that you are definitely on track to do that? If people cannot answer those types of questions that means that they might be able to talk a lot about principles but they are probably not on track to meeting the challenges faced by the Civil Service.¹⁰²

68. Another, Andrew Haldenby, saw a danger with any set of principles that “*they entrench the existing model*” and cautioned that “... *this might be a bit of a wild goose chase. One could get a bit lost in the search for these principles, rather than focusing on the nuts and bolts of the problem before us*”.¹⁰³ Another of our witnesses, Professor Kakabadse, welcomed the idea but said there were three issues to address, “*first, the context of why you are doing it; secondly, what the principles are; and, thirdly, the leadership that will make those principles work.*”¹⁰⁴

69. A number of similar ‘principles’ have already been proposed, and our predecessor Committee itself enumerated five requirements for good government.¹⁰⁵ The nature of such existing principles will also vary depending on their context. Some, like the Seven Principles of Public Life or the Civil Service Code, focus strongly on individual behaviours. Others, such as the Parliamentary Ombudsman’s Principles of Good Administration, are more concerned with ensuring good systems and processes. A number of submissions we received made reference to the Good Governance Standard for Public Services developed by the independent Commission for Good Governance in Public Services in 2009, which in turn build on the Seven Principles of Public Life (known as the Nolan Principles).¹⁰⁶

70. The context for us was simple. The intention for devising a further set of principles was to arrive at a framework which would allow us to scrutinise the reform of the Civil Service which is likely to prove both radical and challenging. To assist us in working up these ideas

102 Q 105

103 Q 103 [Andrew Haldenby]

104 Q 103 [Professor Kakabadse]

105 Public Administration Select Committee, Eighth Report of Session 2008-2009, *Good Government*, HC 97-I, para 10

106 Ev w16

we held a workshop with participants from the NAO, the Parliamentary Ombudsman and academia.¹⁰⁷

71. We considered whether we were really interested in “good governance” or rather in a different or wider concept around good government or good public administration. We noted the International Monetary Fund definition of governance within government as “*the process by which public institutions conduct public affairs and manage public resources.*”¹⁰⁸ We concluded that the principles should focus on the good governance and change management of the transformation in the Civil Service that will flow from the pace of public service reform and the fiscal retrenchment the Government is seeking to bring about.

72. This Inquiry has helped us to identify six main principles of good governance and change management, summarised as leadership, performance, accountability transparency, coherence, and engagement. We will draw on these principles as the basis for our scrutiny work of the Civil Service during the course of this Parliament.

Leadership: purpose, contribution and outcomes

73. We intend to focus on examining the performance and contribution of departments and their relationship with the centre of Government, in their meeting of the aims they have been set. Particular attention will be given to the exercise of leadership by senior departmental management in driving through change.

Departmental Boards

74. The Government took early action to enhance the leadership and governance structures of departments, primarily through revamping departmental boards. The Ministerial head of the Department is now expected to chair that Department’s Board, which is to have a membership balanced with approximately equal numbers of ministers, senior civil servants and non-executives from outside government (including one ‘lead’ non-executive for each departmental board, who will strengthen the role of the non executive directors). In exceptional circumstances, the non-executive board members of a departmental board “*will be able to recommend to the Prime Minister, Secretary of State and Head of the Home Civil Service that the Permanent Secretary should be removed from his or her post*”.¹⁰⁹ The Minister has said that those changes will “*galvanise departmental boards as forums where political and official leadership is brought together to drive up performance.*”¹¹⁰

75. However, Professor Kakabadse warned that the changes to departmental boards would not solve issues of poor performance in the Civil Service, and might indeed exacerbate them:

107 Workshop held in March 2011

108 IMF, *Manual on Fiscal Transparency* (Washington D.C, 2007), p. 128

109 “Enhanced Departmental Boards: Protocol”, *Cabinet Office website*, cabinetoffice.gov.uk

110 “Lord Browne appointed to key Whitehall role”, *Cabinet Office website*, 30 June 2010, cabinetoffice.gov.uk

I think [departmental boards] will not only reinforce silo mentality but create irritation with external non-executive directors, because they will find they are helpless. Their hands are tied. I think you will make things worse.¹¹¹

Andrew Haldenby referred to anecdotal evidence from non-executive directors in the public sector that they would not put themselves forward to serve on departmental boards, because they felt that it would be a fruitless exercise.¹¹² Julian McCrae also expressed reservations:

While the experience coming in is very important, you have to bring that to bear in a way that people understand and that respects the accountabilities of Ministers and the role of the permanent secretary as accounting officer. We are hopeful that this will improve the governance of Departments, but it needs careful thought and planning¹¹³

76. In fact, the Permanent Secretaries who gave evidence to us said that new-style departmental boards would not change the fundamental accountability relationship between the Permanent Secretary accounting officer role and the Secretary of State role for looking after the Department.¹¹⁴

77. It is not clear to us how the introduction of lead non-executive directors and changes to the role of departmental boards will affect the management arrangements in departments. We intend to conduct an inquiry into this question. We recommend that the Government conduct an evaluation of how these changes have improved the management of departments, with particular regard to the supervisory and advisory aspects of their remit, and to what extent, if any, the new boards have affected the accountability relationship between the Secretary of State and the Permanent Secretary. In setting out the transformation programmes going on throughout departments, the Government should also set out each board's role in it and whether such programmes are consistent across departments and in keeping with good practice.

Change management leadership

78. In his assessment of departmental change management plans, Professor Kakabadse told us that “...under current conditions of maintaining and enhancing service whilst also substantially reducing costs, the demand for high quality leadership from Whitehall is far greater than I have witnessed”.¹¹⁵ He went on to describe the nature of the leadership challenge as:

- a clear vision of how to meet priorities;
- stringent management of costs, and

111 Q 100

112 Q 101

113 Q 99 [Julian McCrae]

114 Q 188, 190

115 Public Administration Select Committee, Eleventh Report of Session 2010–12, *Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans for structural reform*, HC 901, Appendix 2, p. 7

- motivating staff.¹¹⁶

79. Sir Gus O'Donnell concurred that the change had to be led from the top.¹¹⁷ He assured us that he would hold Permanent Secretaries to account to make sure change happened throughout departments but he added that there also had to be "*leadership throughout the organisation*".¹¹⁸

80. Nonetheless, as Dr Haddon's historical analysis has also shown, it is also necessary to have a lead official whose focus it is to drive the reform agenda throughout Whitehall.¹¹⁹ Ian Watmore, Chief Operating Officer of the Efficiency and Reform Group, told us that Cabinet Office was advertising for a director general to lead on reform across Government, working to Cabinet Office Ministers and the Cabinet Secretary, in effect, on the cross-cutting role.¹²⁰ However, the internal competition to recruit for the post of Director General, Civil and Public Services Reform resulted in no appointment being made.¹²¹ Instead it was decided that "*an alternative team-based approach*" would be led by two Senior Civil Service 2 level executive directors.¹²²

81. We agree that the leadership for a transformation programme has to come from the top of each department, particularly in such challenging circumstances. However, we are concerned that it has not proved possible to recruit a Director General to drive reform from the centre of Whitehall. This may suggest a lack of commitment to fundamental restructuring at senior official level.

Performance

82. To meet the challenges it faces, the Civil Service will require a training programme on a limited budget, a situation summarised by the NAO:

The current period of budgetary constraint means that departments will need to embark on ambitious transformation programmes in order to sustain and increase levels of performance. Skills requirements and workforce planning must be aligned and considered alongside the adoption of new delivery models and technology. These same constraints mean that departments face significant reductions in administrative budgets, with corresponding reductions in staff numbers and in available resources for learning and development to support remaining staff.¹²³

As a comparison, an example of the potential cost and timescales involved in a major skills programme was provided by Professor Kakabadse, who drew on his experience from the

¹¹⁶ *Ibid.*

¹¹⁷ Q 303

¹¹⁸ Q 304

¹¹⁹ Ev 72

¹²⁰ Q 205

¹²¹ Civil Service Commission, *Annual Report and Accounts 2010-11*, HC 1180, 18 July 2011, p 8

¹²² Ev 71

¹²³ Report by the Comptroller and Auditor General, *Identifying and meeting central government's skills requirements*, Session 2010-2012, HC 1276, para 1

private sector to suggest the cost of the training programme for an organisation of approximately 300,000 people would involve training 5,000 people at a cost of between £10 and £12 million and would take two to three years.¹²⁴

83. The training programme must ensure that the four capabilities required for the ‘post-bureaucratic age’, as identified by Professor Kakabadse, are present across Whitehall.¹²⁵ This includes three core Civil Service capabilities: the delivery of direct public services, the management of government agencies, and traditional skills of policy making and preparing legislation, which, as Dame Helen Ghosh confirmed, remain essential:

I think I have four Bills going through the House in the course of this year, which require a lot of those traditional skills about policy making, evidence-based and dealing with Parliament, all of that kind of stuff. I need to make sure I retain those skills.¹²⁶

84. The additional ‘fourth capability’ – opening up public services and stakeholder management will require new skills in Whitehall. Ian Watmore elucidated:

in order to bring about the local, Big Society type options we have talked about, we need people at the front line who are very good commissioners of those services ... Commissioning is not procurement. What we will always be in danger of is saying, “Yes, we need commissioning,” and then at the local level recreating a sort of procurement process that might have been designed for an aircraft carrier, whereas what we really want to be able to do is get people to commission services and outcomes from people, in a quick, short, sharp way with minimal bureaucracy and minimal overhead from the local community providers.¹²⁷

85. In addition to developing these four skill sets, to successfully reform, the Civil Service also requires what Dame Helen describes as “*really good change managers*”.¹²⁸ Sir Gus confirmed that this was a particular challenge for Whitehall, telling us “*I think what we need now is to prove, as a modern Civil Service, not just that we do the policy stuff but we can actually manage change well.*”¹²⁹

86. The Government has recognised the need to develop both change management and contracting skills. In a speech to the Civil Service Live Conference in July 2011, Francis Maude warned that “*we shouldn’t just assume that these skills are inbuilt. They need to be learned. And we’ll ensure that they can be.*”¹³⁰ The Minister set out the need for “*a massive upgrading in project, programme and contract management skills*” across Whitehall which

124 Q 58

125 Ev 69

126 Q 178

127 Q 183

128 Q 178

129 Q 207

130 “Francis Maude speech to Civil Service Live”, *Cabinet Office website*, 5 July 2011, cabinetoffice.gov.uk

would be achieved through the creation of a project management academy for civil servants.¹³¹

87. A new Civil Service Learning programme, set to replace the work of the National School of Government (NSG), announced earlier this year, will provide “*a common curriculum, based on our strategic priorities including the need to contribute to Civil Service reform*” at each grade or level.¹³² However, a former Principal of the NSG, Robin Ryde, warned that the closure may affect the shared core of the Civil Service, reducing the number of unifying factors for officials across Whitehall, and diluting the sense of shared purpose necessary to reduce departmental silo-thinking and achieving substantive reform.¹³³

88. Given the nature and size of the skills challenge, the Government must take a proactive approach to addressing the need for new skillsets in the Civil Service. It is the responsibility of the Cabinet Office to address capability issues within the Civil Service as a whole.

89. To achieve the aims of decentralisation and the Big Society, the Civil Service will be required to undertake very different roles, necessitating skills in contracts and commissioning, procurement and market design. The Government’s approach to addressing the skills shortage and ensuring that Whitehall is equipped for the new reality it faces falls short of what is urgently required. We hear that spending reductions are leading to the loss of key skills required for change in Whitehall. In the light of the closure of the National School for Government, we recommend that the Government swiftly sets out how these new skills will be retained and developed.

Accountability

90. The structure of British government is still shaped by the recommendations of Lord Haldane’s report of 1918 which recommended that:

In the sphere of civil government the duty of investigation and thought, as preliminary to action, might with great advantage be more definitely recognised.¹³⁴

Civil servants, as advisers to ministers, were to have an indivisible relationship with them. It is this notion which has underpinned the convention that “*civil servants are accountable to ministers, who in turn are accountable to Parliament*”.¹³⁵ The Haldane model of structure and accountability has operated largely unchanged throughout the last 100 years.

91. However, the Government’s radical reform agenda may require some reassessment of the status quo. In their evidence the Institute for Government foresaw “*an increasingly complex web of accountability*” and consequently that “*meeting the principle of accountability to Parliament without compromising the operational independence of*

¹³¹ *Ibid.*

¹³² Ev 71

¹³³ “Déjà vu for Civil Service training”, *Guardian Professional*, 25 February 2011, guardian.co.uk

¹³⁴ Ministry of Reconstruction, Report of the Machinery of Government Committee, Cm 9230, 1918 p. 6.

¹³⁵ Cabinet Office, *The Cabinet Manual – Draft*, December 2010, p. 92

decentralised services or constricting new sources of accountability will be a challenge".¹³⁶ Andrew Haldenby shared that analysis:

The idea of ministerial responsibility ... does centralise power, ... and does give the impression to Whitehall that it is in charge of public services. That is completely out of line with what the Government are doing.¹³⁷

Professor Smith stated in his evidence to the Committee:

The convention of ministerial responsibility was written when things were done mainly in Whitehall and Westminster. Now that things are done all over the place, there is a need to, at least, restate what the principle should be in a very different context.¹³⁸

This question must be addressed if localism and the re-empowerment of local authorities is to be effective, or the traditional model of accountability will drive local issues back onto the desks of Ministers.

92. There is a view that the convention of ministerial responsibility should be recast to make officials more directly accountable for operational decisions.¹³⁹ Andrew Haldenby believed that:

... the doctrine of ministerial responsibility is a big problem—it has made the performance of individual civil servants invisible which is obviously not true. ...That is why it needs to be reviewed.¹⁴⁰

Although the Minister did not favour a move towards a system where the top tier of civil servants became political appointees, strongly endorsing the Northcote-Trevelyan principles, he was prepared to concede that decentralisation does mean stretching the traditional definition of accountability.¹⁴¹

93. The convention of ministerial accountability and the Whitehall departmental structures derived from the Haldane Report at the beginning of the last century have, on the whole, stood the test of time. However, in light of the radical devolution of power and functions proposed by the Government, it is timely to consider the development of a new Haldane model to codify the changing accountabilities and organisation of Government. We invite the Government in their response to this report to explain how they will take forward this work or how the existing model remains relevant in these changed circumstances.

136 Ev 61

137 Q 50

138 Q 24 [Professor Smith]

139 "Whitehall's Black Box" *IPPR*, 7 August 2006, ippr.org.uk, "Fit for Purpose" *Reform*, March 2009, reform.co.uk

140 Q 102 [Andrew Haldenby]

141 Q 209, 224

Transparency

94. The evidence we received supported the Government's commitment to placing of transparency and openness at the heart of government. Indeed, as Professor Hood stated to us "*transparency is one of those principles that seems to be unexceptionable: how could anyone be against it?*"¹⁴²

95. However it cannot be assumed that simply releasing data will increase transparency, and thus contribute to good governance, particularly given the belief of Francis Maude that "*speed trumps accuracy*" when releasing data.¹⁴³

96. Professor Smith argued for a feedback mechanism to ensure that transparency will results in greater accountability:

what are the mechanisms of accountability that arise from the fact that the data are being released? It is fine to release lots of data and say, "This is what's happening." However, what then happens? What is the feedback mechanism for citizens to say, "Clearly something is going wrong here. What is going to be done about it?"¹⁴⁴

97. We welcome the Government's commitment to open government through greater transparency and we share the belief that this will lead to better, more accountable government. However, while transparency is necessary it is not sufficient. We look to the Government to explain how the public in general, and the 'user community' of statistics in particular will be empowered to use newly published information. 'Data dumping' does not on its own constitute transparency and good governance. We recommend that the UK Statistics Authority should take a proactive role in ensuring that data released is intelligible, objectively interpreted and in a readily accessible format.

Coherence

98. Civil Service reform must be coordinated within and across departments; and across the wider public sector to achieve success. It is, according to Professor Kakabadse, the responsibility of the centre of Government to act as a world class corporate centre that fully engages with all departments:

On the question of the Cabinet Office being held accountable, if you want a good change programme, the Executive are held accountable; if you want a good change programme, the board is held accountable; if you want a bad change programme, we will have a change officer here and he will take full responsibility. If a Cabinet is not held accountable, please tell me where the body is.¹⁴⁵

99. Ian Watmore told us that the Cabinet Office was indeed taking on a coordinating role:

142 Q 19 [Professor Hood]

143 Q 228

144 Q 19 [Professor Smith]

145 Q 95 [Professor Kakabadse]

... we help people share what they are doing, so that department A knows about what department B is doing, and put the two of them together so that they can learn from each other, which is incredibly powerful.¹⁴⁶

This should not need to be a matter of such celebration, but should be axiomatic across Whitehall. However this is not the case in practice. Speaking in 2010, Dame Helen Ghosh said

I want someone saying: ‘Did you know that the Ministry of Justice is doing that, or could you piggy-back on what the communities department is doing, or had you thought about doing it in this way?’ That’s something that I do think we need to work on, and once we’ve all got clear plans through the structural reform and business planning process, I think we need to make sure we’re joining all that up and making sure we know what everyone else is doing.¹⁴⁷

More recently, following his analysis of departmental change programmes, Professor Kakabadse concluded that

... there is no point in placing extensive demands on the delivery Departments of Whitehall, asking them to reconcile the ‘Big Society’ agenda with extensive cost reduction requirements, without then being able to provide reasonable oversight, namely, governance.¹⁴⁸

100. This lack of oversight and governance leaves Departments to be preoccupied by their own responsibilities, possibly at the expense of cross-cutting policy areas. This underlines Dr Haddon’s analysis of the limitations of central reform bodies such as the Efficiency and Reform Unit, and the need for more sharing of lessons and good practice.¹⁴⁹

101. There is a clear danger of uncoordinated change programmes within departments and across government. It is essential that the Cabinet Office take leadership of the reforms and coordinate the efforts in individual departments and across Whitehall as a whole.

146 Q 291 [Ian Watmore]

147 “Profile: Helen Ghosh”, *Civil Service Live Network*, 11 October 2010, network.civilservicelive.com

148 Public Administration Select Committee, Eleventh Report of Session 2010-2012, *Good Governance and Civil Service Reform: ‘End of Term’ report on Whitehall plans for structural reform*, HC 901, para 7

149 Ev 72

Engagement

102. The scope of Civil Service reform goes beyond skills of officials and structure of departments. Professor Kakabadse warned that Whitehall requires “a *fundamental change of mindset* [which] *has bedevilled many an organisation*.”¹⁵⁰ Francis Maude has described the changes required as being

mostly about expectations, culture and behaviour. I don’t claim to know how all this gets to happen. We will need to mobilise some of the best and most experienced operators both inside and outside Whitehall to help us deliver it.¹⁵¹

However, the Minister refuses to adopt the mechanisms to ensure this happens.

103. The evidence from Dr Haddon emphasised the importance of engagement and collaborative methods.¹⁵² Julian McCrae also insisted that officials, Ministers and “*the wider political infrastructure with which the Civil Service relates at all levels*” believing that reform “*is the right thing to do for itself*”.¹⁵³ Mr McCrae warned that “*if there isn’t a clear blueprint that everyone is agreed on, there will be real problems in taking this forward*.”¹⁵⁴

104. In our ‘End of Term Report’ Professor Kakabadse identified a number of departments who had highlighted extensive work underway to engage with their staff.¹⁵⁵ The Institute for Government has also noted that in the Ministry of Justice’s change programme “*staff from across the department were empowered to drive change themselves, with 1,000 staff signed up as advocates of Transforming Justice*.”¹⁵⁶ This is an excellent initiative which we would like to see more widely pursued.

105. Sir Gus O’Donnell recognised that staff engagement with reform programmes has been a particular challenge for Whitehall:

I think this is our chance to get that thing that has been persistently a problem for us, which is our staff do not think we manage change well.¹⁵⁷

We think his staff are right about this point. Sir Gus also cited figures from the latest Civil Service staff survey on staff engagement which showed only a 2% decrease in engagement (from 58% to 56%) following the 2010 Spending Review which announced the cuts to administrative budgets.¹⁵⁸ Sir Gus assured us that future staff surveys, following individual departmental change programmes, will show an increase in workforce engagement.¹⁵⁹

150 Q 43 [Professor Kakabadse]

151 “Francis Maude speech to Civil Service Live”, *Cabinet Office website*, 5 July 2011, cabinetoffice.gov.uk

152 Ev 72

153 Q 46

154 Q 46

155 Public Administration Select Committee, Eleventh Report of Session 2010-12, *Good Governance and Civil Service Reform: ‘End of Term’ report on Whitehall plans for structural reform*, HC 901, Appendix 2

156 Ev 61

157 Q 207

158 Q 299

159 Q 299

106. Making organisational structures work requires the highest level of engagement amongst the top managers of the Civil Service. If the UK is to have a world class government, we consider that a world class centre for the operation of government is required, fully engaged with each delivery department and providing value that uniquely addresses the challenges that they face. This ought to deliver a shared clarity on purpose and contribution, rather than limiting individuals to their specific job titles and responsibilities. This engagement requires the establishment of a change programme involving the top management of all departments, including the centre of Government, which will identify the barriers to progress. This will be the focus of a future Inquiry into the role of the Head of the Home Civil Service.

107. For Whitehall to change to achieve the Government's objectives, civil servants of all grades must be engaged with the process of reform. Attempts to empower lower levels of management without engagement will fail. This is the means by which human potential will be maximised: but, in all but one department, there is little compelling evidence to suggest that all are wholly engaged at present. The Government should continue to use opportunities such as the Civil Service staff survey to gauge support for their reforms among staff, and act on the findings, to ensure that good change management practice is replicated across Whitehall.

Conclusion

108. The challenges facing Whitehall will require a Civil Service reform programme more extensive in size and scope than attempted for many years. We have received little evidence that the Government is engaging with the factors that determine the success of such reform programmes, namely establishing the appropriate scope for change, setting clear objectives and timescales for reforms, and ensuring central coordination and political support. Most importantly, we have no sense of what the Government thinks a reformed Civil Service will look like. Without a clear set of objectives, Civil Service reform and, therefore, the wider public service reform programme will fail.

109. Most Departments are aware of what they are seeking to achieve, but we have seen little evidence that many Departments have thought clearly about how they will make these changes or the nature of leadership required to implement them. We are concerned that any change to the Civil Service must overcome substantial inertia. A cultural change to accept new ideas, innovation, decentralisation, localism and the Big Society, necessary if these flagship government policies are to succeed, will only come with leadership and a clear plan.

110. We consider that in preparing for the necessary reform there is no substitute for the development of a centre for the operation of Government which is truly world-class and properly equipped to support delivery departments throughout the reform process and beyond. The scale of the challenges faced by the Civil Service call for the establishment of such a corporate centre, headed by someone with the authority to insist on delivery across the Civil Service. We propose to return to this issue in any future examination of the role of the Head of the Home Civil Service.

Conclusions and recommendations

Aims of Civil Service reform

1. The need for frequent Civil Service reform programmes over the years can be attributed to failure to consider what the Civil Service is for, what it should do and what it can reasonably be expected to deliver. Government needs to articulate a clear view of what it wants from the Civil Service and how it intends to achieve it. This must be articulated with greater clarity in departmental business plans. The Civil Service should be more rigorous in demanding this clarity from Government. (Paragraph 21)

What do ministers want from the Civil Service?

2. We welcome the steps taken by the Civil Service to develop and bring in IT specialists, though such initiatives in themselves will not address the more specific concerns about performance in this field raised with us by former ministers. The Civil Service must build up specialist expertise in outsourcing contract management and procurement. (Paragraph 25)
3. Cross-departmental working remains a weakness for the Civil Service. We expect to consider the role of the Head of the Home Civil Service in this respect in the course of a future Inquiry. (Paragraph 30)
4. We recommend that after any change of its Secretary of State, the Permanent Secretary of a Department should ideally remain in post for a minimum period of 12 months to maintain corporate memory and an in-depth knowledge of the workings of the Department. The Civil Service should also plan for much greater continuity among its senior contract and project managers. (Paragraph 32)
5. The Civil Service inspires much admiration and loyalty from ministers, most of whom take full responsibility for the conduct of their departments rather than blaming officials for departmental failings. However, despite successive programmes of reform and some undoubted and successful change and modernisations of the Civil Service, Ministers remain dissatisfied with and disconnected from the outcomes. There is a wealth of evidence in Whitehall that, despite the attempts of Ministers and senior civil servants, departments lack expertise and specialist knowledge and the confidence to make decisions and implement them quickly. Departmental silos remain a constant concern, along with a risk-averse culture and bureaucratic inertia. The Civil Service 'establishment' remains complacent about this. (Paragraph 33)
6. Ministers want, and the public interest demands, a more innovative and entrepreneurial Civil Service which fosters and retains expertise aligned to the policy or major project lifetime and can work across departmental boundaries to address cross-cutting issues. Numerous Civil Service reform initiatives have so far failed to deliver these outcomes on a consistent basis. Our chief concern is that the latest

efforts to reform Whitehall will fail unless these concerns are comprehensively addressed. (Paragraph 34)

Decentralisation and the Big Society

7. Whitehall has traditionally performed three core roles: policy advice, the management of public services, and the supervision of public bodies. If the Civil Service is to connect with Ministers' ambitions for public service reform a fourth capability will need to be added to this trio: the ability to engage with groups from the voluntary and private sectors through the contracting and commissioning process. Every government department must focus on developing this fourth capability, and the Cabinet Office must ensure that this is embedded in the Civil Service change programme across government. (Paragraph 40)

Spending cuts

8. Voluntary redundancy programmes are being carried out in some departments without a thorough assessment of required roles and functions. We recommend that the Cabinet Office monitors individual departmental change programmes to ensure that redundancy programmes are conducted in accordance with departments' requirements to retain and develop the key skills required to maintain the core commitments and long-term performance of each department. (Paragraph 49)
9. The Civil Service has prided itself on reform through gradual change, building on past initiatives and adjusting to the priorities of each new government. We recognise that this is particularly challenging at a time of both an increase in requirements and a reduction in staff. We consider that incremental improvements of this sort will not be sufficient to meet the scale of change implied by both the decentralisation agenda and the structural impact of a reduction by one-third of the administration budget of Whitehall. This will require considerable structural organisational reform of the Civil Service. (Paragraph 50)

The need for a clear change programme

10. The Open Public Services White Paper offers only the most minimal recognition that the decentralisation agenda inevitably has a consequential and fundamental impact on the Civil Service. It does not contain detail on the "aspects of Civil Service reform" promised by Ian Watmore in his evidence to us in March 2011. Moreover, its commitment to consult on the future shape of the policy, funding and regulatory functions in Whitehall suggests a lack of urgency in Government which is without a coherent change agenda or set of steps that would constitute a comprehensive plan. In short, the Government has not got a change programme: Ministers just want change to happen: but without a plan, change will be defeated by inertia. (Paragraph 61)

Key elements of a reform plan

11. The Government has embarked on a course of reform which has fundamental implications for the future of the Civil Service, but the Government's approach lacks leadership. The Minister rejected the need for a central reform plan, preferring "doing stuff" instead. We have no faith in such an approach. All the evidence makes clear that a coordinated change programme, including what a clear set of objectives will look like, is necessary to achieve the Government's objectives for the Civil Service. The Government's change agenda will fail without such a plan. We recommend that, as part of the consultation exercise it has promised about the future role of Whitehall, the Government should produce a comprehensive change programme articulating clearly what it believes the Civil Service is for, how it must change and with a timetable of clear milestones. (Paragraph 64)
12. Successful reforms have key factors in common. We recommend that the Government should set out how it is sharing good practice from previous transformation programmes, in Whitehall and beyond, and ensuring that such lessons are applied. (Paragraph 65)

Principles for good governance and change management

13. This Inquiry has helped us to identify six main principles of good governance and change management, summarised as leadership, performance, accountability transparency, coherence, and engagement. We will draw on these principles as the basis for our scrutiny work of the Civil Service during the course of this Parliament. (Paragraph 72)

Leadership

14. It is not clear to us how the introduction of lead non-executive directors and changes to the role of departmental boards will affect the management arrangements in departments. We intend to conduct an inquiry into this question. We recommend that the Government conduct an evaluation of how these changes have improved the management of departments, with particular regard to the supervisory and advisory aspects of their remit, and to what extent, if any, the new boards have affected the accountability relationship between the Secretary of State and the Permanent Secretary. In setting out the transformation programmes going on throughout departments, the Government should also set out each board's role in it and whether such programmes are consistent across departments and in keeping with good practice. (Paragraph 77)
15. We agree that the leadership for a transformation programme has to come from the top of each department, particularly in such challenging circumstances. However, we are concerned that it has not proved possible to recruit a Director General to drive reform from the centre of Whitehall. This may suggest a lack of commitment to fundamental restructuring at senior official level. (Paragraph 81)

Performance

16. To achieve the aims of decentralisation and the Big Society, the Civil Service will be required to undertake very different roles, necessitating skills in contracts and commissioning, procurement and market design. The Government's approach to addressing the skills shortage and ensuring that Whitehall is equipped for the new reality it faces falls short of what is urgently required. We hear that spending reductions are leading to the loss of key skills required for change in Whitehall. In the light of the closure of the National School for Government, we recommend that the Government swiftly sets out how these new skills will be retained and developed. (Paragraph 89)

Accountability

17. The convention of ministerial accountability and the Whitehall departmental structures derived from the Haldane Report at the beginning of the last century have, on the whole, stood the test of time. However, in light of the radical devolution of power and functions proposed by the Government, it is timely to consider the development of a new Haldane model to codify the changing accountabilities and organisation of Government. We invite the Government in their response to this report to explain how they will take forward this work or how the existing model remains relevant in these changed circumstances. (Paragraph 93)

Transparency

18. We welcome the Government's commitment to open government through greater transparency and we share the belief that this will lead to better, more accountable government. However, while transparency is necessary it is not sufficient. We look to the Government to explain how the public in general, and the 'user community' of statistics in particular will be empowered to use newly published information. 'Data dumping' does not on its own constitute transparency and good governance. We recommend that the UK Statistics Authority should take a proactive role in ensuring that data released is intelligible, objectively interpreted and in a readily accessible format. (Paragraph 97)

Coherence

19. There is a clear danger of uncoordinated change programmes within departments and across government. It is essential that the Cabinet Office take leadership of the reforms and coordinate the efforts in individual departments and across Whitehall as a whole. (Paragraph 101)

Engagement

20. Making organisational structures work requires the highest level of engagement amongst the top managers of the Civil Service. If the UK is to have a world class government, we consider that a world class centre for the operation of government is required, fully engaged with each delivery department and providing value that

uniquely addresses the challenges that they face. This ought to deliver a shared clarity on purpose and contribution, rather than limiting individuals to their specific job titles and responsibilities. This engagement requires the establishment of a change programme involving the top management of all departments, including the centre of Government, which will identify the barriers to progress. (Paragraph 106)

21. For Whitehall to change to achieve the Government's objectives, civil servants of all grades must be engaged with the process of reform. Attempts to empower lower levels of management without engagement will fail. This is the means by which human potential will be maximised: but, in all but one department, there is little compelling evidence to suggest that all are wholly engaged at present. The Government should continue to use opportunities such as the Civil Service staff survey to gauge support for their reforms among staff, and act on the findings, to ensure that good change management practice is replicated across Whitehall. (Paragraph 107)

Annex: Selected chronology of Civil Service reform

1854	Sir Stafford Northcote and Sir Charles Trevelyan Report on the Organisation of the Permanent Civil Service.
1918	The Haldane Report called for rationalisation of departmental responsibilities.
1919	The Bradbury Report resulted in new Establishments branch of the Treasury to oversee Civil Service organisation and pay.
1961	The Plowden Report argued that Civil Service needed to professionalise its management systems and behaviour
1968	The Fulton Report recommended: <ul style="list-style-type: none"> • A Civil Service Department comprising Civil Service Commission and management divisions of Treasury; • a Civil Service College; • special assistants and senior policy advisers to Ministers ; • integration of specialists and generalists; and • hiving of some departmental functions to agencies
1987	Improving Management in Government: the Next Steps report (the Ibbs report): recommended radical extension of executive agencies.
1999	Modernising Government Initiative launched to promote: <ul style="list-style-type: none"> • better policy making; • more responsive and higher quality services; and • modern public sector management.
2004	Launch of 'Civil Service Reform: Delivery and Values'. Lyons and Gershon reports recommend efficiency savings and major changes in the way departments are organised and managed. Professional Skills for Government launched with the aim of ensuring civil servants have a consistent level of skills and experience in three broad categories (leadership, core skills and professional skills).
2010	Constitutional Reform and Governance Act puts the Civil Service on a statutory footing by enshrining in legislation the core values and principle of appointment on merit.

Appendix 1: Letter from Mr Bernard Jenkin MP to all Permanent Secretaries, April 2011

As part of its ambition to bring about a “Big Society” the Government has set out a reform agenda involving greater decentralisation of power and enhanced social action at local levels alongside proposals for considerable reform of public services.

At the same time the Spending Review commits the Government to a large reduction in departmental administration costs by an average of a third.

Except for a fundamental review of arms length bodies the machinery of government has been left largely unchanged. However, the need for profound changes to the size and role of the Civil Service appear implicit in the Government’s ideas for a Big Society and as a consequence of spending reductions.

As part of its inquiry into good governance and civil service reform the Public Administration Select Committee (PASC) would like to obtain a better understanding of the changes which are facing departments at present and how they plan to meet them. In particular it would like to know:

- What impact, if any, are the reforms envisaged in the Government’s ‘Big Society agenda’ likely to have on the way your department is organised and operates?

If there are no consequences for your department organisational structure as a consequence of the Big Society agenda please explain why this is the case.

- What structural reforms, if any, will be required in your department as a result of the reductions in running costs arising from the Spending Review?

If no structural change is required, what action are you taking to achieve the required reduction in administrative budgets?

- How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives, and timelines?
- What consideration has been given to retaining or acquiring those skill sets—for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action—necessary to deliver the Government’s reform plans?
- What lessons do you draw from previous reforms either within your department, from other departments, or from other organisations outside central government?
- Does your reform process involve other government departments or public bodies?

The inquiry is coming towards its concluding stages and I look forward to receiving your responses by the 13 May to enable us to finalise our Report.

Appendix 2: Responses from the Department for International Development and the Department for Culture, Media and Sport

Response from the Department for International Development -13 September 2011

Thank you for your letter of 24 April. I am very sorry for the delay in replying, which was due to an administrative error. Please find our response to your questions below.

What impact, if any, are the reforms envisaged in the Government's "Big Society agenda" likely to have on the way the DFID is organised and operates?

Since May 2010, DFID Ministers have recalibrated our approach to reducing poverty in poor countries. This new approach reflects many of the principles of the "Big Society agenda" with a strong focus on empowering people to lead their own development, particularly women and girls. DFID's Business Plan sets out a number of commitments designed to give poor people more power and control over how aid is spent. We are also investing in new ways for UK citizens to become directly involved in international development, for example through volunteering on the new International Citizen Service and matching public appeals through UKAidMatch.

What structural reforms, if any, will be required in DFID as a result of the reductions in running costs arising from the Spending Review?

Following the Spending Review, DFID Ministers have set out clearly a new future direction for DFID in the three reviews of how the Department delivers development -the Bilateral Aid Review (BAR), the Multilateral Aid Review (MAR) and the Humanitarian and Emergency Response Review (HERR). At the heart of these reviews is a clear determination to improve the impact and value for money of UK Aid and make clear to the taxpayer what they results they can expect.

To deliver the settlement agreed at the Spending Review, DFID has an ambitious reform programme, including

- Reducing back office and other support function costs by £19 million over four years. The programme will look at staff and non-staff costs and, for our overseas network, look at greater sharing of services and other functions with the FCO and other Government Departments.
- Focussing our front-line delivery on providing development assistance to fewer countries and having fewer country-based offices. Our bilateral programme will now be supporting 27 focus countries and we have already closed offices, including in China, Russia and Serbia.
- Increasing our programmes and presence in fragile states. This will ensure that we can deliver on the Strategic Defence and Security Review commitment to spend

30% of aDA in fragile states. We shall also ensure that we help drive the "Building Stability Overseas Strategy".

- Focussing our effort and resources on securing significant improvements in the effectiveness of the multilateral organisations which deliver about 40% of global ODA.

How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives, and timelines?

These results (and others) and reforms captured by the three aid reviews, together with the priorities set by the Coalition Government in its Programme for Government and the results agreed as part of the Spending Review, are captured in DFID's Business Plan. Progress against the Business Plan is reviewed by Ministers.

The priorities and results of DFID's Business Plan have been cascaded down into individual operational plans. These plans -in many cases set at individual Departmental level -set out the detailed results and changes that each plan will expect to deliver over the next four years. The operational plans are also available on DFID's website.

What consideration has been given to retaining or acquiring those skill sets -for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action -necessary to deliver the Government's reform plans?

DFID has a clear strategy for retaining and acquiring the skill sets it needs to deliver Ministerial commitments and priorities and has already started to change the composition of the workforce to match the skills sets we need. We are committed to increasing significantly our professional capacity in procurement, private sector work and other areas, as well as the more traditional development expertise in economics, health, education, etc.

What lessons do you draw from previous reforms either within DFID, from other departments, or from other organisations outside central government?

Our reform programme embraces more than our previous change programme and brings together policy, development, human and financial resource management to ensure that reforms support the priorities set out in the Business Plan. A key lesson from our earlier programmes was the need to pay greater attention to the results and impact of our development programmes. We have also used Cabinet Office's Change Directors network to use the good practice being implemented elsewhere in Whitehall.

Does your reform process involve other government departments or public bodies?

The Secretary of State for International Development has undertaken a wholesale review of the role of CDC Group plc, the government-owned UK development finance institution, to ensure that it contributes fully to the coalition Government's development objectives. The outcome of the review was encapsulated in a new high-level business plan for CDC, which was announced at the end of May 2011. HM Treasury and BIS (the Shareholder Executive) has been involved throughout and the NAO has been kept abreast of developments.

Analysis by Professor Kakabadse

I have read the brief presented by DFID and have the following comments to make.

Due to the late submission from the Department for International Development (DFID), I will focus on the key considerations arising from their brief.

The DFID brief emphasises that the Department has taken account of the principles of the 'Big Society' agenda through its focus on empowering the underprivileged to exercise greater power and control over the spending of aid money. Such intention is exercised through three recent reviews surfacing how the Department delivers development, namely, the Bilateral Aid Review (BAR), the Multilateral Aid Review (MAR) and the Humanitarian and Emergency Response Review (HERR).

Parallel to these reviews, and with the aim to improve value for money, a further reform programme is pursued by DFID, which involves,

- Reducing back office and support function costs by £19 million over four years. This initiative will involve the sharing of services and functions with other departments.
- Focusing on front line delivery by providing development assistance to fewer countries and the closing of offices in other countries.
- Increasing programmes and presence in fragile states, leading to the 'Building Stability Overseas Strategy'.
- Ensuring for significant improvements in the effectiveness of multilateral organisation.

The changes and reforms outlined above are captured in DFID's Business Plan which, in turn, has been cascaded into operational plans.

Despite comment that a clear strategy for retaining and acquiring skill sets is in place and that lessons have been learnt from previous change and development programmes, little detail is provided concerning:

- Which skill sets are to be retained?
- Which skill sets are to be acquired?
- The challenges of leadership in integrating conflicting objectives (namely, cost reduction versus improvement in front line delivery and in multilateral organisation effectiveness).
- The morale of staff and management.
- The culture of the Department and whether that enhances or inhibits the pursuit of change.
- The level of change preparedness of the staff and management.

In the absence of such information, I feel obliged to raise the question of whether DFID has given sufficient consideration as to how its aims will be achieved.

The brief as written raises doubt concerning whether the senior management have, or will develop, the necessary leadership and management capability to lead through the changes they identify.

Response from Department for Culture, Media and Sport – 13 September 2011

I am very sorry that you have not had a reply to your letter of 24 April concerning the changes that we are implementing in the Department for Culture Media and Sport (DCMS) to meet Spending Review commitments. A reply was drafted at the time but not sent. I can only offer my apologies and note — as I said to the Committee last week — that this is particularly unfortunate because over a year ago we established a comprehensive Change Programme in DCMS that is now reaching the end of its first tranche and has already delivered significant savings and improved ways of working.¹⁶⁰

Your letter asks about the impact of the Government's Big Society agenda. DCMS is essentially a policy and project delivery department, with most of our resources distributed to expert, delivery organisations. We already work in a way that ensures that we only intervene where we have to; where the market will not deliver or there is a need to remove barriers and encourage growth so that everyone can benefit from our sectors. Therefore on a practical level the Big Society agenda does not directly have an impact on the structural, administrative changes that we are making in the department.

However we are continuing to play our role in the Big Society. The DCMS Business Plan highlights our commitment to work with Cabinet Office and the Treasury to boost philanthropy and giving to cultural institutions. We have reformed the National Lottery so that more money goes to the arts, culture and heritage and the Big Lottery fund so that only voluntary and community organisations are funded. We have also scrapped the rules on local cross-media ownership to create more opportunities for local media and are encouraging the creation of new local TV stations.

What structural reforms will be required in DCMS as a result of the reductions in running costs arising from the Spending Review? How do you intend to implement these changes? What lessons have you drawn from previous reforms?

The Secretary of State, Jeremy Hunt MP has set out an ambition to reduce the administrative spend of the department by 50% by 2014/15¹⁶¹. The arm's length bodies that we sponsor have also been asked to make similar reductions. This means that we are able to pass on only 15% reductions to front-line services and programmes.

The clear aim of our Change programme is to 'achieve 50% admin cost reductions in order to meet Spending Review targets and build the best possible Department with a highly motivated, diverse and talented workforce at the same time as prioritising critical

¹⁶⁰ Oral evidence from Jonathan Stephens, Permanent Secretary, Department for Culture, Media and Sport, 6 September 2011, HC 1389-ii, Qq 215-22.

¹⁶¹ At the beginning of the Programme this meant that the Department would need to cost £26m by 2014/15. This has been revised following the Machinery of Government changes to £30m.

deliverables, including the Olympic and Paralympic Games'. In December 2011 the additional challenge arose of the Machinery of Government changes which led to DCMS taking on responsibility for all competition and policy issues relating to media, broadcasting, digital and telecoms sectors. Although we are a small Department our responsibilities for overseeing the Olympics and delivering policy on key areas such as Communications and Broadband make the simultaneous reform of the Department very challenging and important.

Attached at Annex A is short summary of the Change programme and the projects we have completed in Tranche 1. In setting up the programme we have built on previous reforms and feedback from the last capability review to design a new model Whitehall department that:

- Focuses on where we can have the most impact and prioritises delivery of the commitments in our Business Plan particularly, but not limited to, the Olympics
- Is flexible. People are encouraged to use their skills and expertise across the business, resources are only assigned to work that needs to get done and people are able to move quickly from one project to another
- Is less bureaucratic and continues to look at how to remove layers so work gets done quickly. One example of this is that we have merged our Private Office and Correspondence/briefing teams to form a coordinated and streamlined Ministerial Support Team.
- Has a flatter structure and stronger focus on empowering and equipping people that do the day-to-day work. We have substantially reduced the number of Senior Civil Servants (outside of the Olympic team) and now have a small, strong senior leadership team. Staff outside of the SCS are empowered to lead work and take decisions.
- Utilises project management techniques, with a strong focus on risk management, milestone mapping and outputs. The Change Programme itself has been set up using the MSP approach to running successful programmes. The SRO is a member of my small Director team. It reports to the Department's Executive Board and a Programme Board which concentrates on risk management and the measurement of benefits.

During the first phase of the programme we have ensured that Secretary of State and Ministers are content that the Department is delivering effectively. There are also other indicators that we are a high performing organisation that offers value for money. For example we are responding to about 60% of our correspondence within 48 hours. We are continuing to deliver on our Business Plan priorities; last month we missed only one deadline and this was for important strategic reasons not project slippage. We are also on track to exceed our target of reducing the 2011-12 pay bill by £3 million, through the reductions to the SCS group and a voluntary redundancy scheme offered to all grades.

Throughout the Change Programme I have placed a strong emphasis on communication and the people that work in DCMS have helped shape the new organisation. We have also refreshed Our People Strategy and updated our Performance and Development systems so

they are compatible with our new ways of working and meet the needs of our people. As we complete the first phase of the programme we are seeking people's views on how the first tranche has gone (through an online questionnaire, interviews and focus groups) and we will act quickly to react to this feedback.

Planning is now under way for the second tranche of the programme. This is a particularly busy period for us as we move into final stages of planning and then delivering the Olympic and Paralympic Games. I therefore want to make sure that there is a stable environment for the people that work here. As we now have the organisational infrastructure in place, the next tranche will focus on: embedding the organisational changes and culture; developing our people; exploring options for reducing our non-pay costs; and preparing for the next phase of downsizing below the Senior Civil Service which will happen after the Olympics.

Does your reform process involve other government departments or public bodies?

The Director for organisation design in the Department for Work and Pensions is a member of the Change Programme Board and has been a useful source of expert advice. We are also working closely with the Institute for Government (IfG) to assess the impact and measure the benefits of the programme. I meet Lord Adonis next week to discuss their initial findings. As the IfG is working with a number of Government Departments we have found this an efficient way of keeping in touch with good practice in Whitehall.

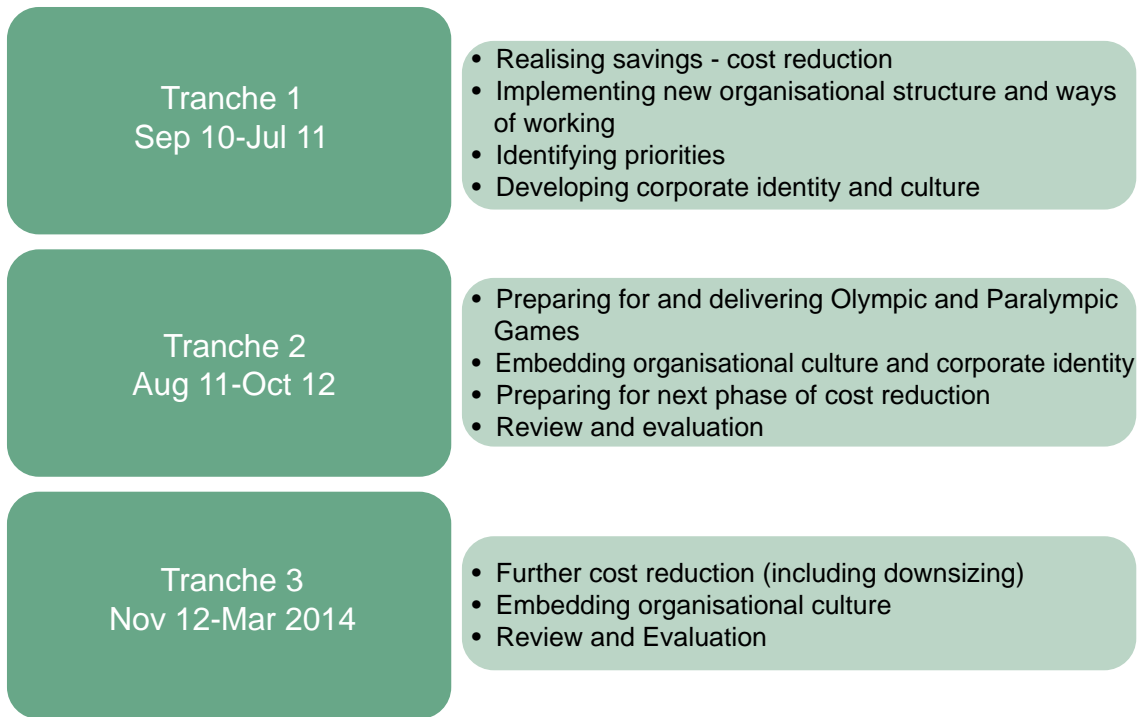
We have chosen to only consult our stakeholders on the Change Programme where absolutely necessary, so not to distract from our primary objective of delivering on our projects and policies. The arm's length bodies that we sponsor have been informed about the programme and its progress and some of our strategic arm's length bodies have had the opportunity to feed in their views on the Change Programme. We are also working with our arm's length bodies to review how we can more efficiently manage our sponsorship and strategic policy making relationships. As we move through the programme we will consider how we can further involve our stakeholders to help assess how we are delivering and performing.

I hope this is helpful and can only apologise again for the delay. I would of course be happy to provide further information if needed.

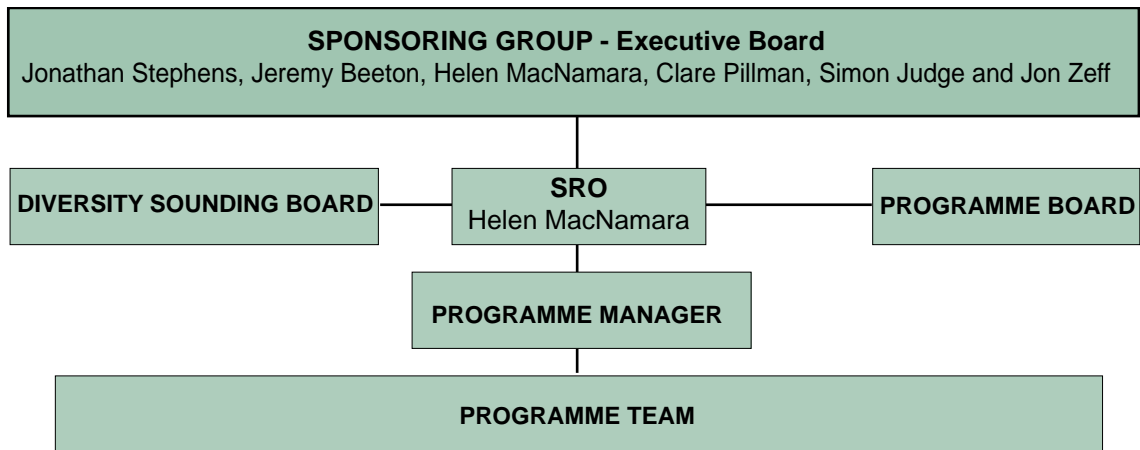
Annex A - DCMS Change Programme

The DCMS Change Vision: To achieve 50% admin cost reduction to meet Spending Review targets and build the best possible Department with a highly motivated, diverse and talented workforce at the same time as prioritising critical deliverables including the Olympic and Paralympic Games

The Programme was launched at an all staff Conference on the 29 September 2010. It will be delivered in three Tranches:



Programme Governance



Tranche 1 Projects

Project	Completed	Objectives
<p>1 Supporting Delivery Reviews</p>	<p>December 2010</p>	<p>Strategic reviews for Executive Board on:</p> <ul style="list-style-type: none"> • How we manage our Press and Communications function in the new organisation, • Recommendations for merge of PERU and Private Office • How we lead and manage our analytical and evidence work • Establishing the current level and nature of support provided to SCS (PAs) • Establishing Grade A (u) current position and the need for the grade in the future • How to manage flexible resourcing
<p>2 Recalibrating Business Scoping: DCMS Core Policy Corporate Services BIS GOE (Legacy)</p>	<p>Core policy 31 Jan 2010 Corporate services 30 June 2011 GOE (legacy) 31 July 2011</p>	<ul style="list-style-type: none"> • Gain a detailed understanding of the Department's current policy portfolio • Identify key strategic issues of the Department's future policy portfolio • Produce a revised resourcing map to capture all medium, long term and on-going policy work • To recommend options-and for how to manage corporate services in the new organization, • To recommend the structure and timetable for transition of GOE functions back to the rest of DCMS, and estimate the post-Games resource requirements
<p>3 Aligning resources to the Business Plan</p>	<p>March 2011</p>	<ul style="list-style-type: none"> • To agree what we need to stop or reduce • To decide approach to cross cutting policies: International, Local, Lottery, Gambling • To initiate implementation of consequences of those decisions • To allocate resources (post selection and VR) to agreed and reduced delivery areas • To map out delivery as V1 of our flexible resourcing spread sheet.
<p>4 Managing transition</p>	<p>April 2014</p>	<ul style="list-style-type: none"> • To support policy teams to make the transition from existing to newly agreed delivery priorities. • To identify and resolve resourcing issues post SCS selection and VR exits • To bring together newly appointed Heads of to discuss issues, gaps and interfaces for example between Press and Policy, MSU and Policy, Finance and Budgets.
<p>5 Accommodation —to deliver savings</p>	<p>01/03/2011</p>	<ul style="list-style-type: none"> • To analyse the current position and Spending Review requirements • To Identify available options for relocation and produce detailed costs and benefits for those options • To implement option agreed by ExBoard • To adhere to Green Book methodology.

6	Downsizing Phase 1	01/03/2011	<ul style="list-style-type: none"> To select and implement the new senior management structure To achieve headcount targets that deliver £3.035 million in year savings for 2011-12 through downsizing the SCS, a VR exercise for all staff and further Workforce Planning measures To support staff through the process To maintain an effective partnership with the Trade Unions
7	Machinery of Government Transfer and integration of staff and policy from BIS	12/04/2011	<ul style="list-style-type: none"> To agree the scope of the transfer and produce a Memorandum of Understanding to ensure clarity of responsibility and ways of working between the two departments. For all associated staff and budgets to be transferred and all necessary support systems in place by April 2011. To support people in the transition and integrate.
8	Flexible Resourcing	31/05/2011	<ul style="list-style-type: none"> Set up the combined Programme Office (bringing together scoping and existing Programme Office) to support the work of new Policy Committee
9	Industry Sponsorship	31/07/2011	Produce a report that defines the sector liaison and business sponsorship role in the new DCMS seeking savings for re-deployment on priority projects and clear expectations of Heads of Sector subject areas.
10	Systems update	31/08/2011	An audit of Departmental systems, including DCMS Matrix, Nakissa, Integra, Liberata, Library Services, LiveLink, Oracle, Outlook, Records Centre Database, Correspondence System, Hub, Lottery Grants Database and PQ Database: To identify what needs to be done so that they are in sync with the organisation, and fully reflect the new structure and new flexible ways of working which have been introduced.
11	DCMS purpose and defining our Culture	September 2011	<ul style="list-style-type: none"> To define the organisation we want to be. Developing the vision for DCMS this Parliament (purpose, approach and behaviours) To identify outputs/activities to anchor culture change To engage staff buy into the culture change
12	Governance and Committees	August 2011	The delivery of a new governance structure to reflect the department's revised structure, and to reflect new requirements from the centre around Board level approaches.
	Business Performance Management		New governance structures, required new reporting and measurement approaches. This work needed to reflect the TOR of the new committees, new continuous improvement approaches and new requirements from the centre (particularly at Departmental Board level).
13	Developing the Senior Leadership Team		Supporting the development of the new Senior Leadership Team and putting in place the foundations for help the team develop.
14	Empowering Grade AS	31/07/2011	<ul style="list-style-type: none"> To define what the Department expects from and offers to Grade As for the
15	Review of Our People Strategy	31/07/2011	Review and refresh the DCMS Our People Strategy so that it reflects the needs of the people that work in DCMS, our new approach and culture.

16	Matrix Management- New approach to management in DCMS	September 2011	<ul style="list-style-type: none"> Developing a new policy (through consultation) and implementing. Allocation of new Development Managers Forman Training for all on matrix management (beginning with Development Managers)
17	Grade Descriptions	August 2011	<p>To support the recently introduced ways of working and in particular the roll out of flexible resourcing,</p> <ul style="list-style-type: none"> To draft a set of grade descriptions which reflect the new organisation and which can be used for recruitment, development and redeployment. To describe a work environment that reflect what the Department does and is attractive to people in particular with a view to bring in talent To provide enough information to inform decisions from potential applicants: are they suitable? Are they interested To consult with colleagues and seed feedback from the Unions
18	Performance and Development (ADR)	31/07/2011	<ul style="list-style-type: none"> Understanding and full support of the DCMS leadership team The system effectively differentiates high levels of performance and unsatisfactory one The new system is affordable, fair, transparent, simple sustainable, non discriminatory and supportive of departmental and Civil Service values. HR systems timely undated and synchronised Effective Learning and Development to make the process more effective
19	Resourcing and Promotion Policy		Developing a new resourcing and promotion policies that enables us to work within the available resource and supports the new ways of working.
20	Learning at Work week	April 2011	<ul style="list-style-type: none"> To bring to life the new ways of working (sharing knowledge and creating a feel of one DCMS) To raise awareness of our key work and projects. <p>Help integrate new employees</p>
21	Staff Awards 2011	July 2011	<ul style="list-style-type: none"> To celebrate achievements across DCMS. To help people feel "One DCMS". Improve morale during a time of change
22	New DCMS Panel and Sounding Board	August 2011	To set up a new DCMS panel that reflects our new ways of working and introduce a new 'Sounding Board'
23	Internal Internet Hub Restructure	July 2011	To ensure that the Hub reflected the new DCMS structure and ways of working.

Analysis by Professor Kakabadse

I have read the brief presented by DCMS and have the following comments to make.

Due to the late submission by the Department for Culture, Media and Sport (DCMS), I will focus on the key considerations arising from the brief.

The brief emphasises that 'Big Society' does not clearly impact on the Department due to the fact that DCMS is a policy and project delivery department, distributing DCMS resources to expert delivery organisations. However, the point is made that the DCMS Business Plan emphasises the commitment to work with the Cabinet Office and Treasury to boost philanthropy and giving to cultural institutions.

The brief further highlights the Change Programme projects completed and the focus on designing a new model Whitehall department that:

- Prioritises delivery of commitments in the Business Plan in order to ensure for greatest impact.
- Encourages people to be flexible in their use of skills.
- Removes organisational layers in order to be less bureaucratic and encourage work to be done more flexibly.
- Empowers people through a flatter structure and through having access to a smaller senior leadership team.
- Draws on project management techniques and skills in order to address issues of risk and focus on outputs.

The brief informs of certain successes already realised through the adoption of the principles highlighted above, such as more efficient response to correspondence and being on track to reduce costs of remuneration by £3 million. The brief also indicates that the expertise and experience of other departments and bodies, such as the Institute for Government, have been called upon to progress change in DCMS.

The brief further highlights that these changes are being pursued in conjunction with an administrative spend reduction target of 50% by 2014/15.

The targets outlined in the brief are ambitious, particularly those of reconciling flexible use of skills and expertise, empowering staff and management, reducing organisational layers versus driving through a cost reduction programme. In order to realise such aims, further information is needed on the motivation and morale of staff and management, their preparedness for change, the leadership capability of senior DCMS managers to drive through change and whether the culture of the Department is supportive of the change programmes identified. Mention is made of these points in the Business Plan but no further information is available in order to gain sufficient insight as to the likely success of the change. From the level of detail provided, it is likely that DCMS management has given due consideration as to how its aims will be achieved. However, with the minimal information provided, the question I raise is whether the management have the leadership

capability to pursue the contrasting objectives of cost reduction and encouraging staff empowerment and flexible use of skills. More information is needed on how the senior managers of the Department are able to address the challenges they face in bringing about change.

Formal Minutes

Wednesday 14 September 2011

Members present:

Mr Bernard Jenkin, in the Chair

Nick de Bois
Alun Cairns
Charlie Elphicke

Paul Flynn
Kelvin Hopkins
Lindsay Roy

Draft Report (*Change in Government: the agenda for leadership*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 110 read and agreed to.

Annex and Summary agreed to.

Papers were appended to the Report as Appendices 1 and 2.

Resolved, That the Report be the Thirteenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report (in addition to that ordered to be reported for publishing on 25 January, 1 February, and 10 May).

[Adjourned till Tuesday 11 October at 10.00 am

Witnesses

Tuesday 25 January 2011

Page

Professor Christopher Hood, University of Oxford, **Dr Martin Lodge**, London School of Economics, and **Professor Martin Smith**, University of Sheffield Ev 1

Andrew Haldenby, Reform, **Professor Andrew Kakabadse**, Cranfield School of Management, and **Julian McCrea**, Institute for Government Ev 8

Tuesday 1 February 2011

Lord Armstrong of Iminster GCB CVO, **Lord Wilson of Dinton GCB**, and **Lord Turnbull KCB CVO** Ev 20

Ian Watmore, Chief Operating Officer, Efficiency and Reform Group, Cabinet Office, **Sir Suma Chakrabarti KCB**, Permanent Secretary, Ministry of Justice, and **Dame Helen Ghosh DCB**, Permanent Secretary, Home Office Ev 29

Thursday 3 March 2011

Rt Hon Francis Maude MP, Minister for the Cabinet Office, **Sir Gus O'Donnell KCB**, Secretary to the Cabinet and Head of the Home Civil Service, and **Ian Watmore**, Chief Operating Officer, Efficiency and Reform Group, Cabinet Office Ev 38

Printed written evidence

1	Professor Christopher Hood and Dr Martin Lodge	Ev 56
2	Institute for Government (IfG)	Ev 58
3	Reform	Ev 62
4	Professor David Richards and Professor Martin Smith	Ev 65
5	Professor Andrew Kakabadse	Ev 69
6	Rt Hon Francis Maude MP, Minister for the Cabinet Office	Ev 70
7	Letter to Ian Watmore, Cabinet Office	Ev 71
8	Supplementary written evidence from Ian Watmore, Cabinet Office	Ev 71
9	Dr Catherine Haddon	Ev 72

Additional written evidence

(published in Volume II on the Committee's website www.parliament.uk/pasc)

10	Matthew Cocks	Ev w1
11	Regulatory Policy Institute	Ev w2
12	Chartered Institute of Personnel and Development (CIPD)	Ev w6
13	Martin Stanley	Ev w9
14	Network for the Post-Bureaucratic Age	Ev w11
15	Chartered Institute of Public Finance and Accountancy (CIPFA)	Ev w15
16	Newbridge Partners	Ev w17
17	Association of Chartered Certified Accountants (ACCA)	Ev w19
18	Professor Matthew Flinders	Ev w23
19	Project Management Institute	Ev w24

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–12

First Report	Who does UK National Strategy?	HC 435
Second Report	Government Responses to the Committee's Eighth and Ninth reports of Session 2009-10	HC 150
Third Report	Equitable Life	HC 485 (Cm 7960)
Fourth Report	Pre-appointment hearing for the dual post of First Civil Service Commissioner and Commissioner for Public Appointments	HC 601
Fifth Report	Smaller Government: Shrinking the Quango State	HC 537 (Cm 8044)
Sixth Report	Who Does UK National Strategy? Further Report with the Government Response to the Committee's First Report of Session 2010-11	HC 713
Seventh Report	Smaller Government: What do Ministers do?	HC 530
Eighth Report	Cabinet Manual	HC 900
First Special Report	Cabinet Manual: Government Interim Response to the Committee's Eighth Report of Session 2010-12	HC 1127
Ninth Report	Pre-appointment hearing for the post of Parliamentary and Health Service Ombudsman	HC 1220-I
Tenth Report	Remuneration of the Parliamentary and Health Service Ombudsman	HC 1350
Eleventh Report	Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans for structural reform	HC 901
Twelfth Report	Government and IT — "a recipe for rip-offs": time for a new approach	HC 715-I

Oral evidence

Taken before the Public Administration Committee

on Tuesday 25 January 2011

Members present:

Mr Bernard Jenkin (Chairman)

Nick de Bois
Charlie Elphicke
David Heyes
Kelvin Hopkins

Greg Mulholland
Lindsay Roy
Mr Charles Walker

Examination of Witnesses

Witnesses: **Professor Christopher Hood**, University of Oxford, **Dr Martin Lodge**, LSE and **Professor Martin Smith**, University of Sheffield.

Q1 Chair: I welcome you to this inquiry into Civil Service reform and the principles of good governance. Would you first of all introduce yourselves for the record?

Professor Smith: I am Professor Martin Smith from the Department of Politics at the University of Sheffield.

Professor Hood: I am Christopher Hood from the University of Oxford.

Dr Lodge: I am Martin Lodge from the Department of Government at the London School of Economics.

Q2 Chair: Thank you very much for being with us. I shall kick off with a general question.

Looking at a list of reforms or attempts to reform the Civil Service, they seem to come with increasing frequency down the years and have less and less impact. Why is there a perceived need to reform the Civil Service? Why does reform of the Civil Service seem to be something that is never done?

Professor Smith: One of the reasons reform continually occurs is because when Ministers get into government they expect things to happen straight away. One of the problems is that things don't happen straight away. Ministers then ask the question, "Why isn't this happening straight away?" Sometimes they blame the Civil Service. There is a view that if you reform the Civil Service, you will be able to do the things that you want to do when you get into government. Part of the reason that that doesn't happen is down to what civil servants do, how they are organised and what their role should be in implementing policy. The other difficulty is that there is a whole range of factors that prevent Ministers and civil servants from doing what Governments want to do, because the world is a difficult place to control. Governments therefore intend to do one thing, but often there is another outcome and the Civil Service is blamed. The reforms keep continuing partly because of that frustration, but partly because, in all of the debates on the reform of the Civil Service, there has never been an assessment of what the Civil Service should do.

Civil servants have very different roles. Some are involved in detailed delivery of policy through jobcentres, or wherever, and other civil servants work

closely with Ministers on a day-to-day basis. Those two types of civil servant are completely different, and the relationship that a Minister has with those civil servants is completely different. Without thinking very clearly about what the Civil Service is, what it should do and what a good Civil Service would look like, it is very difficult to work out how to reform it.

Professor Hood: I do not think that there is anything particularly new about attempting to reform the Civil Service. That has been going on for a very long time, but the style or the way in which reform is done has changed. Going back to the days when I was an undergraduate in the 1960s, the preferred way of carrying out reform then, as well as in earlier times, was to set up a formal commission or independent committee full of worthy individuals and get it to ponder for some period of time and issue a report. We no longer do it that way. We do it in a different style. It has become a reform industry, as it were, and I suppose I am a minor part of it. There are people who are professionally continually engaged with the reform.

Dr Lodge: I would add that the reform industry consists of supply and demand. On the one hand, you have short-term career paths where people need to make an impression before they move on to a higher career destination, and therefore need to produce a document rather than seeing it through. Out of that, you add layer on layer of well-intentioned documents, where one does not know the importance in contrast to documents produced by a predecessor.

To highlight that, I would not say that all Civil Service reforms everywhere are useless or without effect. Look at the German federal bureaucracy, which is now much smaller than the West German federal bureaucracy was before unification. That was done by the iron rule that for every two jobs you could only have one back. That is clearly a Civil Service reform, which had a long-lasting impact and has stuck around for 30 years. The other point about the reform industry is that often these are reactions to previous reform attempts at the same time. We can see that in New Zealand, extensive reform proposals led to unintended consequences, which then led to responses to that.

25 January 2011 Professor Christopher Hood, Dr Martin Lodge and Professor Martin Smith

Q3 Chair: What lessons should we learn from that? My experience is that if an organisation keeps being changed, it becomes more and more unstable and less and less effective. Is that is what has been happening to the Civil Service—that people have become punch-drunk with reform?

Professor Smith: It's very difficult. One problem is that if things are changing all the time, you focus on the change rather than do your job. One change that has occurred—which has good parts and bad parts—is that civil servants have become much more concerned with internal management within their Department. In many ways, that is important, but if that is all they do, they are not doing the job they should be doing in developing various policy options. It goes back to the point I made earlier: nobody has ever asked the question of what we are trying to do with these reforms. They have said things, such as we are trying to make the Civil Service more efficient and more effective, and get better services. Those broad goals, though good, do not focus clearly on what the role of civil servants should be. One problem is that the role of civil servants is now diverse. Some of them are involved in policy advice, but a lot of them are involved in processes and management.

Q4 Nick de Bois: On that point, Professor Smith, is it not the role of the Civil Service to support the implementation of the policy of the Government? If the Government are saying that it should just be done more efficiently, is that not a fair statement, as opposed to one that seems slightly cynical?

Professor Smith: Of course that is a fair statement. The problem again goes down to all the different layers and what the particular constraints that different civil servants at different levels play. If you talk about the senior Civil Service, the role is not directly to implement Government policy; it is to advise Ministers which would be the most effective policy. When you go down through different organisations and into different agencies, you then see the role of civil servants in implementing Government policy and, of course, they should do that as efficiently as possible.

The problem arises if the goal of efficiency—doing things in the cheapest or most effective way you can—is not necessarily compatible with the policy. There may be a tension between delivering efficiency and a particular policy. If you take one example that is thrown about a lot, which is the idea of personalisation of social services, to do that properly is very expensive and time-consuming. If your main aim is efficiency, that conflicts with policies such as personalisation, which may need more people to deliver them effectively. Again, it is about thinking what the ends are.

Q5 Chair: I want to make a distinction between two things. One is the implementation of policies and changing policies. The other is that the organisation itself does not necessarily need to change for Government policy to change. The question at the heart of this whole discussion is whether the Civil Service needs to change or whether a period of stability and consistency in the conduct of the Civil

Service would be more beneficial to effective government.

Dr Lodge: I think, referring to what Martin Smith said, that one of the problems with dealing with efficiency is that public administration everywhere deals not only with efficiency but with fairness, legality and so on, so you always have this field of tension. That is something to bear in mind.

To answer your question, it depends on what level of change you are interested in. If you are arguing about whether we need a constitutional reform to deal with the Civil Service, that is a different question from the kind of question of how we know what kind of skills are required in the Civil Service to deal with new technologies or different types of service deliveries. We have to separate out these discussions of change. I would say constitutional discussions are valuable, but I don't think they are at the same level as discussions about what skills civil servants need and what kind of mediation requirements are needed for the modern Civil Service to deal with governance and collaboration, for example. I think we need to separate out those two. I would not say that all change is bad, or prohibit policy change.

Professor Hood: I think the Civil Service has to change because society and technology are changing now, as they always have been. That always means that there will be a demand in the Civil Service to adapt to whatever the prevailing demands are. It is in the business of doing so, just as private organisations are. You have raised a serious point, Chair, about the optimum speed of reorganisation, and it has been said by senior civil servants that they often need at least two years to adapt and cope with major structural changes. That may well be an underestimate. If the next one comes along within that two-year period, all their energies will be involved in that. You might draw from that the assumption that in some ideal world that speed of structural adaptation might be slower, but there are all kinds of reasons why that might not happen.

Q6 Lindsay Roy: Good morning, gentlemen. I am the front runner for what should be a range of questions from colleagues on the post-bureaucratic age. It is a very popular soundbite; in lay terms, what does the post-bureaucratic age mean to you and how is it reflected in society? In particular, what implications are there for the Civil Service?

Professor Hood: That's a beguilingly simple question. This can never be an unambiguous term, because the word "bureaucracy" is not an unambiguous term. If post-bureaucracy is some kind of contrast with bureaucracy, that could only be a clear term if we knew what we meant by bureaucracy, and we don't exactly. We tell our students that the term bureaucracy was invented in the 18th century by a French philosopher who put a Greek and an old French word together to mean "rule by officials." That is what Vincent de Gournay meant by it. If that is what you mean by bureaucracy and that is the original meaning of the term, post-bureaucracy would be rule by people other than officials. But of course in, as you say, popular discourse, the term bureaucracy has all sorts of other connotations. It is often used to mean muddle,

25 January 2011 Professor Christopher Hood, Dr Martin Lodge and Professor Martin Smith

inefficiency, high cost, and etcetera. That's why there isn't a single clear meaning of the term, but what I have tried to pick out in the paper that will be in your evidence are four kinds of things that are connoted by this term.

One is what is often called the subsidiarity principle, which also has a long history. It goes back to the 1890s as a doctrine of how welfare should be delivered, and the subsidiarity principle is the principle that public services and welfare services should be delivered at the most local level possible and, wherever feasible, by private and independent organisations. That is written into the constitutions of some countries. It is, for instance, written into the Italian constitution on education. Some of what is being connoted now is, in effect, the subsidiarity principle. It is a new spin on that idea.

A second notion is pulling public organisations out of delivering some kinds of services that they might once have delivered. I'm old enough to remember the days when rationing came to an end in the 1950s. It was good for me as a schoolboy, because I could just go out and buy sweets when previously I needed a ration book. That is a case of the Government pulling out of certain types of activities that they once did. Compulsory vaccinations were similarly abandoned in the 1940s.

A third meaning is conducting public services, whether by public organisations or by other kinds of organisations, with as much public participation as possible. Woodrow Wilson once said that Governments should be all outside and no inside, and that is the notion of making it all outside and bringing in as much public participation as possible.

The final meaning that I have identified in the little paper that I put in is organising and delivering your public services in such a way that you make as little use as possible of the specific legal powers of the state. What I mean by those are the state's powers to compel, prohibit, punish and permit. Those are not powers that you and I have as ordinary individuals; they are powers that only the state has. It could be that post-bureaucracy might mean an attempt to govern and provide public services, as far as possible, without using those powers. Will that do for a start?

Q7 Lindsay Roy: That's most helpful. Dr Lodge, is there anything you want to add?

Dr Lodge: We wrote it together, so all I want to add is that our assumption would be that post-bureaucracy means different things in different policy domains. Therefore, what that means for a Civil Service means very different types of skills and competencies, and possibly reward understandings depending on what kind of understanding of post-bureaucracy dominates a particular domain. One single recipe won't do.

Professor Smith: Can I add a couple of points? It is important to be very cautious about this term, partly for the reasons that Christopher outlined, but if you think about nearly every modern organisation, it is a bureaucracy. We live our lives through bureaucracies, so post-bureaucracy doesn't mean that we're going to have something other than bureaucracy in our lives; it's just that those bureaucracies are going to be

organised differently and probably in a more fragmented way.

The other thing, which goes back to the question of efficiency, is that the reason why modern organisations are based on bureaucracy is because bureaucracy is a very efficient way of getting things done. It assures us, at least at one level, that everybody is treated equally. Again, if you start to break down the principle of bureaucracy, it's very difficult to see how a modern society would actually function.

Q8 Lindsay Roy: If it is done in a more fragmented way, is it not more difficult to achieve strategic outcomes? One of the criticisms of the Civil Service is that it has not been very effective at overall co-ordination and achieving core objectives.

Professor Smith: I think that this is one of the big issues. One of the biggest changes, as a result of what is now 30 years of reform, is that the delivery of public services has become incredibly fragmented. Yesterday, at something organised by Sheffield City Council, I was talking to some of the organisations involved in delivering services at a local level. There were hundreds of them, in fact. Delivering public policy now is not about saying the Department of Health or the Department of Social Security writes the policy and delivers it. What happens is a policy is developed, and in most areas, a very large range of organisations become involved in delivering such policies. If you move to a form of post-democracy, where you have democratic accountability—as the Government say, rather than bureaucratic accountability—and where services are delivered differently in different localities, you would find that you develop a very fragmented system of policy. Perhaps issues of equity would arise, as could issues of different areas producing different policies which had contradictory outcomes. A whole series of issues start to unravel or unwind, if you start to think about the way in which service delivery is now increasingly fragmented.

Lindsay Roy: If it is so fragmented—

Chair: May I interrupt? We are going to have to move much faster. If you could give sharper answers, it would help us to get through this much more quickly. We have another panel coming in after you.

Q9 Lindsay Roy: If it is so fragmented, is it not that much more difficult to gauge the success of outcomes?

Professor Smith: It depends on what your outcomes are; that is the issue. One of the big issues is finding a way to clearly define outcomes.

Q10 Chair: So, do we think that this is just a political-jargon phrase, without much policy attached to it? There are certain policies associated with this.

Dr Lodge: No. We would argue that the term has a multitude of implications. There is not just one implication; there are at least four. It very much depends on whether you believe it is about participation, or about third sector para-public organisations delivering service, or about the state abandoning particular domains. It is not only jargon

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without content; it is a term that is divided by contradictory meanings.

Q11 Chair: Do you have the sense that the Government have a clear idea of how to implement the post-bureaucratic age?

Professor Hood: I have no inside knowledge about that, sir. My impression is that we are seeing the smoke of a fire that is not yet kindled.

Q12 Charlie Elphicke: Professor Smith, don't you think that the Civil Service works fine at the moment and that no change is needed at all?

Professor Smith: I think it does some things very well, and it does some things quite badly. As Members of Parliament, you will probably know better than me, but one of the things that the Civil Service does well is support Ministers. It provides an excellent comfort blanket for Ministers and it makes their lives work well. What the Civil Service is less good at—I don't think that's true, actually; it is only some parts of the Civil Service, because the Civil Service is a very large and diverse organisation—what it has been less good at, in some areas, is thinking about how policies created in Whitehall actually impact on the ground. I think there is some disconnect between civil servants in Whitehall and what happens in terms of policy delivery.

Chair: That sounds like an understatement to me.

Q13 Charlie Elphicke: Professor Hood, I want to pick up on that point. Professor Smith says that the Civil Service serves Ministers. A lot of us would like the Civil Service to serve we, the people, because we pay them, in our taxes. We have a reform agenda before us based on decentralisation, transparency, local accountability and other such things. Is that not just deckchair-shuffling, which won't amount to anything really?

Professor Hood: We can't tell at the moment. I described it as the smoke of a fire that has not yet kindled, and we don't know whether the fire will kindle. We can certainly identify the challenges that would face the Civil Service if the fire does kindle.

In the paper I gave you, I drew a parallel with the development of care in the community. That started to happen from the 1950s, under Governments of both political parties, and it was driven by a notion that it was better for people in certain types of social care who had mental problems to come out of big institutions and be cared for more locally in community settings. That, however, meant a shift from what were basically NHS organisations to local government organisations. That transition required some movement between one organisation and another. However well-meaning that policy may have been, it created a lot of difficulties along the way. That is what, if we really mean something by these changes, a Civil Service will need to get to grips with.

Q14 Charlie Elphicke: Taking that example, surely it is substantially different from localism, which allows local communities to shape their services. Care in the community was different; it was a thrust from the centre saying, "This is what we're going to do." It

was pushed through from the centre without, as far as I can see, consulting local communities. It was by the by that the public were concerned that a number of axe murderers had appeared on the streets and had started doing what axe murderers do best, which is killing people. That was part of the reason that the policy didn't work, but I would say that it is very different from localism; it was a national agenda pushed out by diktat, surely.

Professor Hood: I'm not saying that it's an exact parallel. I'm saying that it's a case in which complex service arrangements had to move from a central organisation to local organisations. I'm making the point, just as you've said, that it wasn't just the axe murderers—not that there were actually many of them—but the people who fell through the cracks of the various organisations and ended up homeless on the streets. My point is simply that such a transition takes a lot of care and skill to manage effectively, and these are skills that would challenge even the ablest people, whether in the private sector or the public sector.

As we've already noted, and as your colleague has already pointed out, one of the classic complaints against bureaucracies is the problem of departmentalism—the difficulty of coping with multiple organisations and working across sectors. That was a complaint about bureaucracy in China 2,000 years ago. It goes with the beast, and it is always going to be a challenge for bureaucracy.

Q15 Charlie Elphicke: Professor Smith, I believe you are something of an expert in risk. Do you think going down this route is risky? Is it the right model in the current circumstances?

Professor Smith: There is a big problem for central Government in all of this, because if you really devolve power to localities, you face a big risk that those localities will do things that you don't want them to do. In a way, we've been there in the past, which is one of the reasons that local government has been reformed so many times. So there is a risk that localities will do things that central Government does not like, and there is a risk that the localities produce outcomes that contradict the outcomes that the Government are trying to produce. There is an even bigger risk that policy will fail because you don't control all the organisations that are involved in delivering policy at local level.

Q16 Charlie Elphicke: Finally, Dr Lodge, Professor Flinders talks about this model as "steering but not rowing". Do you agree with that description? What do you think it will entail in practice for the Civil Service? What sort of changes will we really see?

Dr Lodge: Steering and not rowing is something that became famous with a book that was part of the Al Gore agenda in the early '90s, so it is also about 20 years old. The idea was that Government should be more businesslike and take on regulatory functions—strategic functions, one could say—while letting other bodies do the work. As I said before, that raises all those issues about how you maintain some form of collaboration and how you keep the balance between, on the one hand, the autonomy and the discretion of

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the rowers and, on the other hand, how much invasive power you give the steerers. That relates fundamentally to your question of risk and of risk to whom.

Q17 Nick de Bois: You'll probably be able only to skim over this, but I'd like to ask the question anyway. Do you think the levels of reduction of about a third in the administrative budgets can be achieved without fundamental reform of the Whitehall Departments? We are talking about a lot of money compared to previous savings. It goes to one of the reasons I suspect that reform is happening. Do you think that level of reduction in admin budgets of about a third can be achieved without reform?

Professor Hood: I find it very difficult to see how it can be. Assuming these plans are carried out—and I refer again to the smoke of a fire that does not yet kindle—you are looking at reductions for which the nearest parallel would be what happened after 1945 in the demobilisation years. What happened then was that the Civil Service pulled right back from being a big delivery organisation controlling timber, milk and everything like that. It pulled right back into a policy role. In that case, you did see—not all at once but over time—a shift in the role of the Civil Service. If these levels of reduction are to be achieved, it can't just be done in an incremental way.

Q18 Nick de Bois: May I ask you again specifically, Professor Hood—looking at your analogy of 1945—will the depth and level of cuts adversely affect the delivery of policy?

Professor Hood: It will inevitably mean that there is less in-house expertise. If the budgets have been cut, there may be less access to expertise externally. The danger is that you will get policy conducted with less expertise.

Q19 Greg Mulholland: Good morning, gentlemen. Turning to the issue of transparency and whether that will lead to greater accountability, which is the bold claim of the Government's current reforms, is that a realistic aspiration? Do you think ordinary people really care that this information is going to be available to them, or will they frankly take little interest?

Professor Smith: Transparency is a good principle. Nobody can say that Government should not be open and produce information for people. The problem with the plans at the moment—and it is early days—is that large amounts of very crude data are being released. It is difficult to know, first, what ordinary citizens will make of the data and how they will be able to use them. Probably more importantly, what are the mechanisms of accountability that arise from the fact that the data are being released? It is fine to release lots of data and say, "This is what's happening." However, what then happens? What is the feedback mechanism for citizens to say, "Clearly something is going wrong here. What is going to be done about it?" Those are the issues that arise out of the increased release of data.

Professor Hood: Transparency is one of those principles that seems to be unexceptionable: how

could anyone be against it? For hundreds of years, people have argued that government should be conducted according to what Jeremy Bentham called the transparency principle. It has also been said that transparency is the best disinfectant in public affairs. I agree with all of that. The difficulty, when we come down to specific public services is, first, the point at which transparency comes up against issues of privacy and data protection, as would arise, for instance, over medical malpractice or things of that kind, which I imagine many people would be very interested to know about. So there are those trade-offs to manage. There's also the issue that my colleagues mentioned about how you make sense of the data when you get them. Interestingly, when Bill Clinton went in for his heart surgery a few years ago, the hospital that he chose for that operation was not the one that had the lowest mortality rates for that particular operation, which he or his aides could have discovered if they had looked at it. If ex-Presidents behave like that, there must be questions about what the rest of us do.

Dr Lodge: I'd just add that it seems to assume we are all well informed and competent to exercise exit and voice. That might be applicable to many of us but possibly not to the most vulnerable, who are obviously mostly exposed to particular public services.

Q20 Greg Mulholland: To pick up on a comment that you made, Professor Smith, saying that no one could argue with transparency, whether that actually leads to increased accountability is another step. Professor Flinders has questioned that and said that although it is an unfashionable point to make, and one that swims against the general tide of public opinion, "too much accountability can be as problematic as too little." The Institute for Government also has noted that the Big Society proposals open up an increasingly complex web of accountability and that, as a consequence, "meeting the principle of accountability to Parliament without compromising the operational independence of decentralised services or constricting new sources of accountability will be a challenge." Is it possible to say that too much accountability could actually affect the ability of politicians and indeed civil servants to make decisions effectively?

Professor Smith: There is obviously a tension, because I think one of the principles behind various Governments' reforms is that the people making decisions should have discretion. Of course, if they are always looking over their shoulders that discretion is very limited. I think at the other side it is absolutely clear that where there isn't accountability and where lights don't shine, very poor decisions are often made as well. I don't think that if you get no accountability you get good decisions and if you get accountability you get bad decisions. You can get good and bad in both cases. I think one of the things—we probably haven't got time, but we may go on to it—is the issue of ministerial responsibility.

Chair: We will come to that.

Professor Hood: I'd just say that transparency isn't necessarily the same thing as accountability, as ordinarily understood. There can indeed be conflicts between those two things. It would be possible, for example, for your Committee to interview people in

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private if you were interviewing the security services or something.

Chair: We do.

Professor Hood: No doubt you do. That is accountability but not transparency, so the two things are not necessarily the same. Of course—again, I will not take up your time, Chair—you can distinguish between the kind of transparency that applies while something is happening, and transparency that occurs after the fact. Often judging the balance between those is a difficult thing as well.

Q21 Greg Mulholland: This is my final question—can I have a fairly brief answer please? We have had wonderful phrases from Ministers, such as “power shift” and “horizon shift” and all sorts of management-speak. Do you think there is any credibility in the ministerial claims that the new departmental business plans will lead to a power shift to local people, or will it just be a tick-box exercise of partners putting these together?

Professor Smith: I think it’s a very difficult thing to achieve and I wonder what the reaction of Ministers would be if there really was a power shift.

Professor Hood: I don’t think I’ve got anything to add to that.

Q22 David Heyes: This Committee is interested in the enhanced role of the Departmental Boards, and you have the Government bringing in non-executive directors with experience, for example, in the business world. If you have a view on this, what should the role of Departmental Boards be in the governance arrangements of Departments?

Professor Smith: On one side it can only be a good thing to get different forms of expertise informing other large organisations about how they may do things better. In that sense, it is difficult to see at one level that it’s problematic. The issue is that there has to be a recognition that public services are actually not the same as private services, so you won’t achieve the same things if you just impose the private sector view of the world on public sector organisations.

Dr Lodge: I think Departmental Boards are nothing new. They have always had this role between giving strategic advice and telling people what they thought about how the management of a Department is going, so there is a need to be clear about what they are supposed to do. The other key question, however, is whether you find—this applies to all organisations—that a supervisory board has enough time to vet particular approaches. Do you even appreciate that the supervisory board should be doing these kinds of things? When I looked at the documentation, it showed a supervisory board, and talked about “setting Departmental risk appetites.” I am not quite sure whether it should be doing that kind of thing. Given that this is a public policy area where things happen quite quickly and agendas change very quickly, can a meeting once a month, or even once a quarter, deal with these kinds of aspects?

Professor Hood: The principle of boards in public organisations can work well. They can operate as critical friends, and I think that is often the term that is used. That is to provide a mixture of a challenge

function and a support function. In principle, there is a lot to be said for that. The kinds of problems that have to be dealt with include, first of all, the conflict of interest problem if the people on the boards come from outside. Again, as Members of Parliament, you will be familiar with this kind of problem, and you have means of dealing with it. But that is something that has to be dealt with.

On the other hand, you want people with the best kind of experience in the area, which means the best people in the country and maybe in the world, and there may be a trade-off between the conflict of interest problem and getting the best people in the world. I believe that it is often the case in parliamentary debates that the people who have the most to say and those that are the most experienced are precisely the people who do have an interest. Then there is also the question of how to harness that kind of talent effectively given that events move quickly, that boards only meet occasionally and that people are very busy and it is hard to get things into their diaries.

Q23 Kelvin Hopkins: On the relationship between Ministers and civil servants, is there a need to re-examine the convention that Ministers remain accountable for the actions of their civil servants? I am reminded of two things. First, when I was very young it was automatic that a Minister retired if a civil servant had done something wrong—the Dugdale case and so on. Secondly, in the previous Parliament we had a Minister who actually publicly blamed a civil servant and got into serious trouble for doing so. The argument by the Opposition was that she should have taken personal responsibility.

Professor Smith: That is a very big question, which would take a long time to answer, because ministerial accountability shapes the whole process of politics in the British political system. There are reasons for changing it and rethinking it, because in lots of ways it means that decision making gets constantly drawn to the centre, and it’s one of reasons why the problem of localism is so difficult in the British political system. Actually rethinking it, however, would be about fundamentally changing the way that the British polity operates, and there are lots of arguments for why you may need to go there, particularly with the way that public services are changing, but actually getting there is extremely difficult.

Dr Lodge: Previous attempts to write down the relationships of who should do what and who is to blame when something goes wrong have made it extremely difficult, when something does go wrong, to allocate clearly where the responsibility for something lies. You can look at cases where people have tried to have performance agreements between Ministers and chief executives or leaders of Departments. So I think it is fundamentally extremely difficult to write down exactly who should be responsible for what.

Professor Hood: The heart of this issue is what is called the implicit bargain between civil servants—senior civil servants in particular—and the politicians. The bargain has traditionally been that civil servants enjoyed some element of anonymity, both in the good times and the bad. In return, they were expected to be

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politically neutral. The question that faces the Committee, when you are weighing this up, is that if you give up on the anonymity principle—so that you make it possible for civil servants to be routinely blamed for policies they may not have initiated—can you also maintain the political neutrality principle? Can you make one change without the other?

Q24 Kelvin Hopkins: I shall run two questions together. The first is whether the convention would benefit from better explanation and codification, and then, what the code should be. That is one approach, which would be moderate. A much more radical suggestion has been proposed by Reform, saying that Ministers should be allowed to appoint senior civil servants.

Professor Hood: That second point picks up exactly on what I just said to you: if you give up on the anonymity principle, does it mean that you give up on the political neutrality principle? I think that that's a big challenge, and I am presuming that is why Reform has made that suggestion.

All I would say on the first point, about writing it all down, is that these relationships are very subtle, and I would personally be sceptical about the ability of any contractual statement to capture all the difficulties or potential subtleties.

Professor Smith: The convention of ministerial responsibility was written when things were done mainly in Whitehall and Westminster. Now that things are done all over the place, there is a need to, at least, restate what the principle should be in a very different context.

Q25 Chair: Does that require a new code? Do we need to codify the relationship between Ministers and the Civil Service?

Professor Smith: In my view, it needs to be made explicit in some way. At the moment, the rules of ministerial accountability and responsibility are largely implicit, and they are often redefined case by case, which is why Ministers can often change their position on ministerial responsibility and accountability.

Q26 Lindsay Roy: There seems to be a high expectation of transformational change. How significant a transformational programme does the Civil Service face, and who should drive that through? Should it be civil servants or Ministers?

Professor Hood: On the latter point, it is impossible to imagine a transformational programme succeeding unless both Ministers and civil servants are working together. To return to the question that we were asked at the beginning, about succeeding waves of Civil Service reform, from my experience they only work when the reform themes go with the grain of where the Civil Service wants to go.

Dr Lodge: There are examples that would support that.

Q27 Chair: Our objective, in this inquiry, is to try and come up with a set of key principles of good governance. In the evidence we have received, there is a fair amount of stick and criticism about what we

have come up with and the inconsistency involved in it. What do you think about that objective, and do you think it is achievable? Principally, it is as a guide to scrutiny as much as anything else, rather as the Committee on Standards in Public Life guide their scrutiny of public life with a set of principles.

Professor Hood: Yes, many organisations have done that. The Parliamentary Commissioner for Administration, who I believe reports to you, has a series of principles of good administration. I am not sure whether you put them into your framework, but that would merit some attention. I would only say that people have been enunciating principles of good governance at least since Confucius, who thought that the best kind of Government was one that didn't appear to govern—I think that's the wu-wei principle, which doesn't feature in your list, I see.

Q28 Chair: I'm sure it's a gleam in Oliver Letwin's eye.

Professor Hood: The problem, as mentioned in the memo that Dr Lodge and I put in, is that it's not difficult to come up with principles *prima facie* of things that it would be nice for Government to do. The problem arises in handling the trade-offs between them, even going back to Confucius. He believed that good government was strong government, but was also government that wasn't too obvious—governing without appearing to govern. What do you do when those principles come into conflict? The difficulty with most catalogues of principles of good government—good regulation, good administration—is that they don't tell you what to do at that point. That seems to be the difficulty.

Q29 Chair: We know good government when we see it, don't we?

Professor Smith: I think it relates back to the question of data. In one way, some of the principles about good governance could relate to what sort of information is released and how that is used, in terms of making sure that Government is accountable. Good governance could be more clearly related to broad sets of outcomes. That is what the Government want to do in terms of policy. There's no reason why the Government as a whole should not have to face a set of outcomes that can be determined in relation to good governance.

Q30 Chair: But when you start measuring outcomes then they game the outcomes. Dr Lodge?

Dr Lodge: Well, yes, and I think that relates to at what level of good governance you want to have good governance.

Q31 Chair: All levels.

Dr Lodge: You could say that if we are World Bank watchers who want to study the overall health of a political system, we wouldn't look at use of IT, for example, as a standard for good governance. We would look at legality, rule of law, freedom of the press and so on. The Civil Service would feature within that.

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Q32 Chair: If we don't get the IT right, nothing works in the modern age, does it? Look at the Rural Payments Agency or the Child Support Agency.

Dr Lodge: That is true but I may not want to compare the standards of governance in setting up a business in particular countries and so on. The role of corruption, for example, in terms of payment for access to public services is arguably a bigger issue for good governance at that constitutional level—the legality in which certain services are provided.

Q33 Chair: So you think we are in a muddle.

Dr Lodge: I think it is important to highlight at what level you want good governance. If you want good governance in terms of a departmental issue, one could have all sorts of plans, competency and leadership frameworks and so on. Then you get exactly the side effects you mentioned: the more we measure, the more we get gaming and all sorts of unintended effects. Or one could say—and that would be a post-bureaucratic idea of all four versions that we heard earlier—that it should be good governance within that policy domain. It would be more about collaboration; it would be about achieving negotiated outcomes. In many ways, you can't really measure whether someone has successfully mediated a conflict between different people. When we did research on competence within the Civil Service, one of the key arguments was that performance pay clashes with ideas, when you have an extremely conflicted field

and the main Civil Service function is to bring those hostile, adversarial parties together. How do you measure or reward that?

Q34 Chair: But our main focus on this Committee is about process. We do get concerned when the Government do not set clear outcomes, but that is not what we are concerned with. We are concerned about the process of setting outcomes and how they are achieved. Can we formulate a set of principles around that, or do you think we have made a good stab at it?

Professor Hood: I think there are certainly things here that are positive. I referred earlier to the Parliamentary Commissioner for Administration who, on the basis of decades of work dealing with complaints from MPs such as yourselves for all the multitudinous things that go wrong in Government, has come up with a set of principles: accuracy; consumer focus; openness and accountability; fairness and proportionality; effective remediation of mistakes and errors; and continuous improvement. That is not something just picked out of a hat. It is the result of decades of experience of dealing with the complaints that you MPs send to that body as coming from your constituents. I would have thought that is a process of experience to which it would maybe be worth paying a little more attention.

Chair: Thank you very much indeed, gentlemen, for your evidence. Please send further thoughts if you have them. This inquiry will run for a month or two yet, so I would be very grateful to you for giving us your thoughts.

Examination of Witnesses

Witnesses: **Andrew Haldenby**, Reform, **Professor Andrew Kakabadse**, Cranfield School of Management and **Julian McCrae**, Institute for Government.

Q35 Chair: For the record, could you each please identify yourself?

Andrew Haldenby: Andrew Haldenby. I am the Director of the independent think-tank Reform.

Professor Kakabadse: Andrew Kakabadse. I am a Professor at Cranfield School of Management.

Julian McCrae: I am Julian McCrae. I am the Director of Research at the Institute for Government.

Q36 Chair: I think you have the altogether unfair advantage of having listened to the previous evidence session, so we don't need to repeat what has already been said. We would like you to add to it, but we are going to go over broadly the same agenda. Our first question is about why Civil Service reform has remained on the agenda. There seems to be an increasingly unsatisfied craving for reform, yet the Government's programme for government is relatively silent on the question. What is your reaction to that?

Professor Kakabadse: This is nothing new. You will find exactly the same in the private sector. The need or urge for reform is really very prominent when there is a change of chairman or chief executive, and so also when there is a change of Administration. Why the disappointment? From all of my research, any change programme that is deep takes at least three to

five years to bed in. There is a difference between political time and organisational time. We could be talking about Microsoft or a bank, or we could be talking about the Abu Dhabi Government, which is where I am involved right now. There seems to be no change in terms of the time frames.

The added issue is that, whatever the original intentions of the change programme, if the people who are implementing the change feel that what they were told to do is out of keeping with what they are actually finding, there is resistance, and there is resistance the nearer they are to service provision, to the customer or the community. Five years could extend into seven years. You can get something called change fatigue.

Q37 Chair: Has change become a political objective in itself? It's certainly a very attractive word that politicians use because they think that the public like the idea of change. I'm not sure about that, because I'm a Conservative, and I like things to stay the same. Has it become an end in itself?

Julian McCrae: I think we have something that is very different now from the historical approaches to Civil Service reform. The spending review settlement forces change upon Whitehall in a way that we haven't had before. Taking a third out of the administrative budgets, on the time line that the

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Treasury has set out, means that if you are going to have functioning organisations at the other end of that, you are forced into a transformational approach to change. The nearest post-second world war comparator is the early 1980s where—the metric is very difficult to compare exactly—10% was taken out compared with more than a third now. That is roughly the scale that you should be thinking about.

Q38 Chair: There was more fat.

Julian McCrae: There may have been. I haven't seen a detailed analysis of fat then versus fat now.

Q39 Chair: Look at how much it has expanded.

Julian McCrae: I think the interesting question on this is the time line and pace, because doing this would be an extreme stretch for any organisation. It is not easy stuff. If you look at what Andrew was saying about pace, you will see that some Departments really started thinking about this quite systematically a year or more ago, and they have moved themselves into a position where they are thinking about what the Department should be now. There is a set of Departments that are moving very fast on a cost-out element.

The Department for Communities and Local Government has reduced its top Civil Service postings by 30% or 40%, and most of the civil servants in that Department are reapplying for their jobs and a lot of them face redundancy. So you're seeing an approach from the Civil Service that is now taking on the problem. Psychologically, these things are important. Does it think there's a way around this? No, the money will be going, so the Civil Service must adapt and change. The big question at the moment, the bit that's missing from this puzzle, is what does the Civil Service look like in three or four years' time, which is the length of time that this will take? What's the blueprint that people can aim for, so they know whether they are on the right course? That seems to me to be the big question at the moment—articulating that.

Q40 Chair: That was a very full answer. You must try to be a bit briefer. Could you answer that question, Mr Haldenby?

Andrew Haldenby: To put it in historical context, the last Government became very interested in Civil Service reform because they became very concerned about the competence of the Civil Service. That was before the financial crisis. It is very instructive to compare, for example, the speeches of Tony Blair on the subject in 1998 and 2004. In 1998 he came in with a hymn of praise to the Civil Service; in 2004 he said that if he had known then what he knew now, he would have embraced reform with much greater urgency and called for a smaller and very different kind of Civil Service. There is also the evidence of the capability reviews, which are extremely important and identify clear problems in the Civil Service, particularly its ability to change. I don't need to go into all of the reports issued by the National Audit Office, but they clearly show real problems in financial management and on the procurement side.

This is not an abstract or academic question; there is a real problem. The last Government lost their innocence about Civil Service reform and came to the sense that Civil Service reform had to be done. I have included in my written evidence what I think is an important quote from Alan Milburn in 2007: "Whitehall is the one part of the public services that has largely escaped Tony Blair's reforming zeal. It should do so no longer." Those reforming Ministers came to the realisation, which I think is the right realisation, that you can't drive a reform programme without Whitehall reform. So I would include that among the reasons for Civil Service reform, too.

Q41 Chair: But off the record there are anecdotal comments from Ministers saying that their private offices don't work as they used to. Their private offices can't spell, do grammar or write letters properly. Some Ministers say that they are spending an inordinate amount of time redrafting letters, which they never needed to do in the past. Has the Civil Service lost its professionalism?

Andrew Haldenby: The capability reviews looked at the question in more high-level terms—the leadership of the Civil Service, processes within Departments and ability to deliver—and they found significant problems in each of those. The National Audit Office, as I said, has looked more at the financial management and procurement side. Those reports are indicative of a problem now, but I'm not sure how that compares with previous years.

Q42 Chair: But coming back to the key question, does the Civil Service need to have its core values, its hierarchy and its stability restored to get back to what we used to have—Ministers used to talk about the enveloping Rolls-Royce machine that looked after them—or do we carry on with what might be described as the creative destruction of a great public service in the name of this great Post-bureaucratic Age of decentralisation and transparency? Are those two visions compatible?

Julian McCrae: If you look at where the Government are going with some of their reform agenda, it implies a different set of professional skills for the Civil Service. So the set of professional skills that you might have had in the Sir Humphrey era won't be the set of skills that can run disaggregated market provision with outcome-based contracts, for example. You need to know a lot about how to write a contract if you are going to do that kind of policy, which probably puts less weight on drafting.

Q43 Chair: I appreciate that, but that's a skills issue. Are the problems in the Civil Service basically just about skills, so civil servants can do what they do better, in which case the Civil Service can reform itself if it's left to get on with it, and better if the politicians leave it alone? Or does the Civil Service need to be reformed by a new political drive? The Government would seem to be coming in with a new political drive albeit, in Civil Service reforms terms, it's not expressed as Civil Service reform.

Professor Kakabadse: If you have a reform programme that basically is a decentralisation—look

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to the community, deliver on service—it's not just skills. It's a fundamental change of mindset. That change of mindset has bedevilled many an organisation, and the investment that many organisations have put in to facilitate that change of mindset has been extensive. I should also say that if you take other organisations such as large entities, with that mindset change has been some considerable redundancy. The reason for that is that many people do not wish to, or cannot, or are at a particular age where that mindset change is now too expensive to engineer. So if you do want that, you are going to have a very different Civil Service with a very different set of values. If you don't want that, you could look at what cost-cutting is doing to the existing skill base and the motivation of people. By and large, you either have one or the other.

Q44 Chair: Do we think we know what the Government want? Are the Government clear about what they want?

Andrew Haldenby: I would say no because I think it is to some extent contradictory. One the one hand Francis Maude, the Minister for the Civil Service, has set out with absolute clarity his defence for what he has called the traditional Civil Service. I won't read it out at great length, but this is the speech he made at a Reform conference in July, which the Chair of this Committee spoke at, where he says things like, "I am a big fan of the Civil Service...I do worship at the shrine of Northcote-Trevelyan". He goes on to say that he is going to make civil servants feel better about themselves by getting rid of management consultants and so on, to give civil servants more—

Q45 Chair: But is that just what you say when you're going to beat somebody up?

Andrew Haldenby: Well—no, because they have cut back on the use of external consultants, so that is a defence of the traditional Civil Service vision. On the other hand, they have talked about Departmental Boards, which the Committee has already mentioned. Taken to its logical conclusion—Francis Maude himself has said this—those Departmental Boards would be able to hold permanent secretaries to account to the extent of moving them on if their competence wasn't seen to be high enough. So those are two conflicting ideas, it seems to me.

Q46 Chair: Do we need to add to that answer?

Julian McCrae: Very briefly on Civil Service reform: is this something that has to be done to the Civil Service or something the Civil Service has to do to itself? I think hugely it's about the Civil Service must do it. On the scale of change we are talking about, it has to believe that this is the right thing to do for itself, because the people involved have to believe that. But that includes Ministers and includes the wider political infrastructure with which the Civil Service relates. So if there isn't a clear blueprint that everyone is agreed on, there will be real problems in taking this forward.

Q47 Chair: And there should be?

Julian McCrae: I think there has to be on the scale of change we are doing; you have to know what you're trying to achieve if you're going to—

Q48 Chair: I am seized of this notion that there have to be enough people around the top who believe in an objective for that objective to be achieved. Professor Kakabadse?

Professor Kakabadse: The words are clear. It's a massive change. My database—a quite extensive one—of public service and top teams across the world, with its almost 14,000 organisations, indicates that you're not going to get that. Because a third of most top management either in the public service or the private sector—their own colleagues don't agree with what's happening. The vision and mission statements that I've heard indicate massive change; the reality is it will falter. About a third of the major change programmes that I have seen succeed, and there is one fundamental reason: the top is pulling together. I do not see that here.

Q49 Charlie Elphicke: Mr Haldenby, I will just briefly pick up on your comments about the Cabinet Office Minister worshipping at the shrine of Northcote-Trevelyan. You may recall that you wrote a report back in March 2009 exploring this area, and you said in that report that the Civil Service reform and Whitehall reform should be a priority for the first 100 days. Do you think that the change put forward by the Cabinet Office Minister has been substantially radical, or do you think it should be faster, deeper and wider?

Andrew Haldenby: No. What has been done? There was a change to the redundancy packages, but that's not a major change—it doesn't change the structure of the Civil Service—and the Departmental Boards are still all to be seen. Otherwise, as I say, things like cutting out the management consultants actually strengthen the position of the existing Civil Service. To be absolutely frank, it does seem to me that the Government have got a problem. They want to achieve the radical decentralisation of power that we are talking about. The last Government came to the conclusion that you have to reform Whitehall to do that, and this Government are not going to take that step. That is the problem.

Q50 Charlie Elphicke: Very briefly, in view of what you have just said: do you think broadly that the current Government are simply deckchair-shuffling on this matter? If so, should they adopt a more radical agenda, and what would you make the three key priorities of such a radical agenda of reform?

Chair: Very briefly, because we do come to this a bit later.

Andrew Haldenby: Well, I don't think that what they are doing is in any way radical. We can talk about it later, but the principle of accountability is the fundamental one. The idea of ministerial responsibility that the Committee has already talked about does centralise power, does obscure the accountability of individual civil servants and does give the impression to Whitehall that it is in charge of

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public services. That is completely out of line with what the Government are doing.

Chair: We will come back to that.

Q51 Lindsay Roy: Is the term “post-bureaucratic age” really about a fundamental change in mindset? In terms of delivery, can you expand on what you said before?

Andrew Haldenby: I think the “post-bureaucratic age” is a David Cameron phrase. It is a phrase he has used to talk about his reforms. It is very similar to the Blairite vision of decentralising power. I won’t read it at any length, but here is David Cameron on 8 July 2010: “We want to replace the old system of bureaucratic accountability with a new system of democratic accountability... We want to turn government on its head, taking power away from Whitehall and putting it into the hands of people and communities.” That is a vision of greater choice in public services, greater powers for local councils and so on. Tony Blair could have said something similar. A bit later, Cameron said: “A couple of centuries ago this country was in a pre-bureaucratic age”. There was slow transport and communication. Then came the steam engine and the telegraph. Now we have the internet, so we are in the Post-bureaucratic Age. There is this sense of a decentralisation of information, meaning that we are all much more empowered.

Q52 Lindsay Roy: So the vision is the same, but the key transformational change is in terms of delivery.

Andrew Haldenby: I think the post-bureaucratic age also involves a smaller Government. Government are doing less because we are much more informed.

Q53 Lindsay Roy: So the Government are more strategic?

Andrew Haldenby: Yes, more strategic and not delivering as much or much at all. Government are commissioning rather than providing.

Q54 Lindsay Roy: So other people are rowing the boat.

Andrew Haldenby: Government still have considerable control over where the money goes, and there is probably less money. Government are spending less in that world than the current one, and the people providing services are not Government people in most cases.

Professor Kakabadse: May I comment on that? The last panel talked about the post-bureaucracy period starting with the Chinese, which is true. In the current phase, if you go back to the management literature you will find that in the 1960s there were already books written and references made to the post-bureaucratic age. This is nothing new for Government; it is really old for the private sector.

Q55 Chair: But isn’t that an argument in favour of it?

Professor Kakabadse: Well, that is interesting because it was never meant to be strategic. It was meant to relate to delivery of service, so that we would get a better delivery of service. The assumption was that because we have highly capable people, who

will be able to look after the customers’ needs, the community needs, and be flexible, there would be a top management that has such a skill that the vision, mission and strategy are all held together, while all these little guys over here are running all over the place providing service. That has been an abysmal failure.

Q56 Chair: The armed forces call it delegated mission command. Why can’t we have that in the public sector?

Professor Kakabadse: Because in the armed services—I say this from a study I’ve just completed—they work so hard on investigating exactly what goes wrong with delegated mission command. When I don’t like my boss and I know he has made a wrong decision, there is a training programme that helps bosses listen.

Q57 Chair: So it is a core skills and core management programme.

Professor Kakabadse: It is a core skills and core management programme. It’s a lot of investment. There’s a lot of resistance to change. It involves the changing of mindsets. It involves people who have not been told before what they should be doing now listening to that.

Q58 Chair: What is the scale of training required in order to implement the Post-bureaucratic Age? Is there any sign of it?

Professor Kakabadse: From my experience, if you have an organisation of say 300,000, such as HSBC or Citigroup, you will train 5,000 people, it will take you two or three years, and you will probably spend £10 million to £12 million doing it.

Q59 Chair: That’s not much money in the scheme of things.

Professor Kakabadse: It is not much money. The question is whether the bosses will follow through, whether you will have the consultants or the coaching and whether you will have the on-the-job activities. If you have cut external services from your provision, you train and we all go back to doing what we did before.

Julian McCrae: It goes back to the points that Andrew made about the top team pulling together here. You can put in all the training and skills that you like, but if your organisation isn’t focused on the mission to change, you are in trouble.

Just thinking about the post-bureaucratic age, there are two levels on which the Civil Service in Whitehall is engaging with it. One is in their role of policy advisers to Ministers and thinking about what this means for the public service as a whole. The second is in their actual day job as civil servants in Departments that will be affected and in the types of things that those Departments are doing and, therefore, at the most basic level, whether they have jobs. Those are the questions that they are asking at a personal level. In that second space, the Civil Service can quite easily deal with abstract concepts such as the post-bureaucratic age, and it operates very well in that space. In the space of “What happens to my job?” and

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“Am I going to have a job in six or 12 months’ time? What am I going to be doing?” you need a lot more clarity. That goes back to the blueprint point, which is that it’s fine for abstract discussions, political discussions and policy advice, but it’s not fine for the organisational change of the Departments themselves. They need something far more specific.

Q60 Mr Walker: Do you think it is helpful when politicians come up with these phrases that say everything but mean absolutely nothing?

Professor Kakabadse: It is irritating.

Q61 Chair: Do you see it happening now?

Professor Kakabadse: Yes, unfortunately.

Q62 Chair: Do all our witnesses agree with that?

Andrew Haldenby: I don’t agree with that at all. I think that that is very unfair. The Prime Minister has made speech after speech on the subject, which have set out his ambitions for public services in considerable detail. They are internally consistent and, after all, very similar to the previous Government’s. I don’t think it’s at all true to say that it doesn’t mean anything.

Q63 Mr Walker: But of course we are going to have a bureaucracy. It might be a slightly smaller bureaucracy, but we’re going to have a bureaucracy. We’re not going to be living in a Post-bureaucratic Age; we’re going to be living in a slightly different bureaucratic age.

Andrew Haldenby: He is not saying that there is going to be no bureaucracy. He sets out, quite clearly, the kind of Government that he envisages.

Q64 Mr Walker: He does. He says it’s post-bureaucratic, which means after bureaucracy. What comes after bureaucracy?

Andrew Haldenby: The Post-bureaucratic Age.

Q65 Mr Walker: But that’s bureaucracy. I don’t understand. I know that I’m a bear of very little brain, but I just don’t think that this is helpful. I just wish that politicians could get on with doing things quietly and effectively without building expectations with things such as the Big Society. Is that the Post-bureaucratic Age? Are the two mutually exclusive? What is the Big Society?

Andrew Haldenby: It’s the same thing.

Q66 Mr Walker: Fine. This is the point that I wanted to make. You talked about people in the public sector not doing the work and people in the private sector doing it, but they’re still getting public money, and they’ll still have their own bureaucracy. BP and Capita, for example, are enormous bureaucracies. Why is that any different? At the end of the day, it’s still public money being paid to a large group of highly paid managers. We have chief executives of local councils, some of whom are very effective, earning £200,000, and we seem to find that objectionable, which it may be, but we don’t see anything wrong with giving Capita billions of pounds of taxpayers’ money and its chief executive earning

millions. I notice Professor Andrew Kakabadse nodding in agreement.

Chair: Okay. I want Professor Kakabadse to say something on that.

Professor Kakabadse: The whole point of the Post-bureaucratic Age as a phrase is to then specify what sort of bureaucracy you want afterwards. Andrew was quite right. I was somewhat unfair in that there is a statement concerning locality, community and Big Society. The problem is that you then have to specify how you are going to achieve it.

I know we will come to this later, but I would like you to imagine a massive car manufacturer that says, “I’m going to give the best service to my customers,” and then does nothing about the dealer network. So, we have a great car, which goes to these people who don’t even look at their customers and treat them badly, so then we have a bad car. In any sort of change structure, where you have a mission, it is so important to specify where your investment will go. If it is in locality, I would like to see the same level of professionalism at a local level, to deal with these issues, as we have in the Civil Service. I do not see that, and I do not see it coming at all.

Q67 Chair: Mr Haldenby, did you want to add something?

Andrew Haldenby: Very quickly, on the differences between bureaucracy and management: the hope is that the Capitas of this world are managed and have managers, but they are not bureaucratic—in that sense—in their operations, so they are more productive. The Office for National Statistics has the numbers on the comparisons between public sector and private sector productivity over the past 10 years, and they show that the private sector does much better. So, that’s the hope. It’s not anti-management; some people are anti-management, but it’s not that. It is, however, anti-bureaucratic, in that sense.

Q68 Chair: In terms of where you plan to spend your money, are you talking about on your organisation or on your services, Professor Kakabadse?

Professor Kakabadse: Usually, it should be both, because if you are going to deliver this service over here, you spend your money on the management that delivers it—the management you need to support the guys who deliver the service. The principles are very simple. If, fundamentally, you are changing and reducing your management but doing nothing about it at the service delivery point—you are not making substantial changes there—what you have done to yourself is that, as Charles Walker has said, you are now going to give this service to a third party. We call that outsourcing, or public-private partnerships, or Capita. These guys then hold you to ransom by contract. You sort out that contract and if you want a slight change, it will cost you more money. On the day, their delivery of service may be just as good as yours was, but by gum, you have a debt for the future, which you really do not want.

Q69 Charlie Elphicke: Very briefly, you said that they hold you to ransom by contract; do you mean that there might be more cases where we have

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contracts for aircraft carriers that we can't get out of, which would cost the country billions and billions? Is that the future?

Professor Kakabadse: I cannot answer that question, because it is at a much bigger level. However, if we decide that we will outsource taxation—or the administration of taxation—certain parameters will be set, but as you start working on it, you find that you need to do something additional, such as a new service, or a new way of doing things. The contract is so tight that you originally started with a budget of x , but you find that you have to make a number of change provisions, which will cost you more. If you have contracted yourself for seven years to deliver a service, and you are trying to update that service, you will find, every year, that you pay more and more money, which you never accounted for.

Whether you will then have aircraft carriers that you can't sell, buy or do anything with is a second question. However, it is more about how you will build your aircraft carrier; that is the point I am making. You have given that responsibility to somebody else, and they will hold you to their contract, because that's how they make money. If you work with outsourcing companies, they want you to walk into that situation naively, because they make more money on additional contracts and not on the basic contracts.

Q70 Kelvin Hopkins: I agree very strongly with Charles Walker, and with what the Chair said at the beginning, about recreating the Rolls-Royce Civil Service. How many of our problems now have been a result of zealous reformers, like Blair, driving through agendas that actually make the Civil Service less efficient and less competent? There is the case that civil servants can't write letters, can't spell and are not grammatical—apparently. When I was a student, the best and most able students got into the administrative class. It was seen as a privilege. We had an élite of the best minds—if one likes—who were dedicated to public service. That model seems to have been smashed. Would it not be sensible to try and recreate it?

Professor Kakabadse: From what I see, the idea of élite brains in the Civil Service is still there. I see outstanding capacity. Having taught on a programme called the top management programme, which brings in chief executives, chairmen, managing directors, as well as the top civil servants, at the end of the programme, the ones who are most humbled, by far, are the ones from the private sector. So, I do not see the brains drain that much.

On the idea of a Minister not managing his office well, I conducted a study last year that showed that one of the biggest problems is that Ministers can't manage their office. It wasn't the fact that we have poor people who can't write or spell.

The following question was on the Rolls-Royce nature of the Civil Service. Please recognise that what is happening in the Civil Service is the absolutely standard private sector practice of continuous cost efficiency without there necessarily being enhanced service effectiveness. Has the Civil Service been continuously reduced in terms of cost, and is there the

message that you can do more with less? Yes. Does that mean that you at the receiving end get a better service? No. We are in an era of service delivery based on a cost equation that runs from the City to the Government and to every company I know. Is the Civil Service doing that quite well? Yes. Do we have a political problem in defending the Civil Service against such thinking and practice? Yes. You cannot blame the civil servant for that; it lies with the political process, not the civil servant.

Q71 Chair: Mr Haldenby, you were shaking your head. I will then come to Mr McCrae, but after that we must move on more quickly.

Andrew Haldenby: To disagree with the Professor, the idea that the Civil Service is geared up for efficiency and will make the cuts in the right way is not borne out by the evidence of things such as the capability reviews and the National Audit Office, which I have already mentioned. The one thing that you would not rely on is the Civil Service being financially well managed or astute, and so on. Government is, of course, a partnership between Ministers and the Civil Service, but there is a lot of evidence that suggests that the Civil Service has to shape up on its targeting of the equation.

Julian McCrae: There's a trap that you can fall into of saying that there is one Civil Service and then there's a reformed Civil Service. The most important thing at the moment is to start being very explicit about what we want the Civil Service to do, and that draws you into some of the important factors that a Civil Service must do, but which are not the function of the private sector. It has to support Ministers, it has to be answerable to Parliament and it has particular forms of accountability, but it also has various functions that are much closer to things you will find in the private sector. If Government reform objectives move in that direction, things such as contracts and management markets will become far more important. We need to be explicit about what we want the Civil Service to do, so that people can think about how we create an organisation capable of doing all those different things to a high standard. If you run into it being one thing and not the other, you very quickly get into a dialogue that says there was a golden age and if we go back there everything will be fine. At the moment I don't think that is a helpful thing for the Civil Service, which has political imperatives. Ministers are setting a direction and it has to follow it.

Chair: Moving on. We have touched on some of the subjects that we are about to raise, so please be as quick as possible.

Q72 Charlie Elphicke: Professor, you've talked a lot about the governance issues surrounding the Civil Service. If, as you say, the central Civil Service is so good and local councils are so rubbish, why is productivity so low compared with the private sector?

Professor Kakabadse: I didn't say that local councils are rubbish. I said that you have to invest there if you want to achieve the objectives that you have now. Again, I would have to ask what you mean by productivity.

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Q73 Charlie Elphicke: ONS produced a series on public sector productivity that shows that public sector productivity is far lower than the private sector. If your governance is so great, why is that the case?

Professor Kakabadse: If you look to HSBC, you will find exactly the same as if you looked to Goldman Sachs, because it is a massive organisation. One of the accusations made against HSBC is of how it can be so conservative. It is one of the classical world-class banks that does what it does very well. My concern in answering your question is what is it that we are particularly talking about? If the central Civil Service role is to provide advice and policy inputs to the Minister, I find that particular skill excellent. If we are then concerned about introducing continuous cost efficiencies—

Q74 Charlie Elphicke: Let me stop you there, because you are not answering the question. The question is why is public sector productivity lower than the private sector?

Chair: I think the professor is saying that it depends on what the output is.

Professor Kakabadse: It depends on what the output is.

Chair: If the output is policy and guidance.

Professor Kakabadse: If the output is policy and guidance, fine; if the output is selling a whole number of widgets, how could the Civil Service even compare? So I would like to know the context in which you make that statement. I could then answer your question appropriately.

Q75 Charlie Elphicke: In that case, do we need to have a leaner centre, and to have more outsourcing of things that are more processed?

Professor Kakabadse: According to what the present Government are saying, you will have to introduce that if you are going to exercise that. Because you are going to have a structure that is commonly called portfolio. We have a small centre with a large number of services. The centre has low cost and it basically trusts the people who are there delivering—the various agencies—to deliver on that service. If that is what you mean by productivity, in the context that you outline, I have no doubt that productivity will increase. The question is, is that what you really want, because you have a massive change?

Julian McCrae: There is a big question about productivity for the central Civil Service that advises Ministers. The figures I think you are referring to are the ONS figures on public sector productivity. They are largely driven by the health service and education system. There is a subset that deals with the work that the Department for Work and Pensions does in the administration of the benefits system, which actually showed productivity starting to increase in the late 2000s. But there is nothing that is a serious attempt to look at the productivity of Whitehall itself, which goes back to, “Can we specify what Whitehall is supposed to be doing, and then can we start to measure that?”

Q76 Charlie Elphicke: When it comes to what Whitehall is meant to be doing, there seems to be the issue that civil servants serve Ministers and not the

wider people. Is there any way to change it so that there is more of a sense of serving the people rather than doing what the Minister wants?

Julian McCrae: I think you will find that takes us on to questions that I feel we might come to later. Stop me if I end up there.

Chair: I think we will pull you on that one, actually. Does anybody want to add further on this question?

Q77 Charlie Elphicke: May I ask Mr Haldenby a follow-up? The professor says that the Big Society and the post-bureaucratic age is all just glorified outsourcing. Do you agree with that, or do you think there is something more to the post-bureaucratic age agenda than that?

Andrew Haldenby: Yes, it is partly about outsourcing but it is also about Government doing less. If one thinks about, for example, the Department for Education, there are teams of people who think long and hard and at cost about things such as the content of the national curriculum—a huge activity of Government. Under the logic of the Government’s city academies proposals, that function of Government stops. The curriculum is done by teachers. Similarly, the Secretary of State for Health has said that he wants the health service to become the largest social enterprise in the world, so it is going to be completely decentralised, paid for by Government, but delivered by lots of different organisations. So that work force planning part of the work of Richmond house—a huge historic operation—goes. So it is not just about outsourcing; it is also about those activities being taken on by, as it were, the Big Society below Government.

Q78 Chair: This goes to the heart of the existential question about what the Civil Service is. Is it a thinking, planning, strategic machine, that decides on objectives and tries to direct ends, ways and means to other agencies—be they public sector agencies or parts of the public service or private sector—or is it a management organisation? Professor Kakabadse, it seems that you are saying it is quite good at one bit but very bad at another bit. What should we be training the senior Civil Service to do? At the moment it is being asked to do a great many things, some of which it does badly and some well. What is the Civil Service?

Julian McCrae: If you look at a Department such as the Ministry of Justice, that is a combination. It has a policy advice function to Ministers on sentencing and legal aid issues, which is vital. It procures in a market of lawyers, spending about £2 billion on that. It runs the prisons and probation service and the courts—so it has operations. The only way effectively to run something like that is to have a set of skills and a team of people who understand and are skilled in each of those things. They work together for a collective aim, which is how to achieve what Ministers want to be achieved and, hopefully, beyond that the public, for traditional forms of accountability. I don’t think you can divide the policy off any more from the operations.

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Q79 Chair: So, the idea is “steering not rowing”, as it was put to us by Professor Flinders. There is not a tenable way of looking at it.

Julian McCrae: Can I clarify? If the permanent secretary is attempting to do the prison governor’s job—as in, he is rowing the prison—you are in trouble.

Q80 Chair: We had a Home Secretary like that.

Julian McCrae: If he is steering the organisation that is capable of having people who can run prisons, that is the right way to go.

Q81 Mr Walker: Briefly, what is a social enterprise? What do you believe a social enterprise to be?

Chair: That is going to be a very brief answer, please.

Mr Walker: Very brief. What is the definition of social enterprise?

Andrew Haldenby: An organisation selling services into the public sector, typically owned by employees, sometimes charitable and sometimes for profit.

Professor Kakabadse: A social enterprise is one that has either ownership or management disciplines of a business, but for social purposes.

Q82 Nick de Bois: Professor Kakabadse, I just want to return and link the question of efficiencies and funding to something you said earlier about change and resistance to change. In my experience of it, you need three qualities. You need buy-in; you need, above all, stamina; and you need motivation to do that. Do you think that one motivation that might give us a glimmer of success here is the massive reductions of up to about a third in departmental budgets, which will almost be cart-before-horse and drive reform of Whitehall Departments? I am assuming you would agree you can achieve the savings without any reform, so would you increase that level of success of change because of the dramatic cuts in the budgets?

Professor Kakabadse: Any change like that on its own, from my experience, is unlikely to work. You are likely to seriously question the stamina issue that you brought up, and you’re likely to get all sorts of concerns over burn-out, possibly disagreement with what’s happening, starting with resistance. If on top of that you do not have a management who are trained in how to motivate people during such dramatic change programmes, you are likely just to get individuals doing the basics.

Q83 Nick de Bois: You have by implication answered one of my other questions. Can I turn specifically to the spending cuts following your analogy here? By implication do you agree then you are actually going to impact on the delivery of the service as a result of the spending cuts, and of course as a result of what you have identified as demotivation for one reason or another?

Professor Kakabadse: I have not seen any organisation, private or public, that will not have the negative effects that you are talking about with this degree of cut.

Q84 Nick de Bois: Mr Haldenby, can I ask you a very similar question, bearing in mind the change

management programme? With the level of cuts that have been talked about, would you agree that reform is vital to get them? Do you, however, see an effect through the pace and depth of what we are doing with the cuts that they will definitely or otherwise not affect delivery of service?

Andrew Haldenby: I think that the level of inefficiency across public services and in Whitehall is considerable. I don’t know and no one knows exactly how high.

Q85 Nick de Bois: You can’t quantify it.

Andrew Haldenby: But it is considerable. I will just give two examples. We have had a series of seminars with civil servants on the response to the cuts, and at one of those sessions one of the civil servants said that she had come in from outside the Government and she was interested by this concept of self-tasking that she discovered in the Civil Service. That is civil servants not having a clear direction of what to do so they would basically invent their own job. Another one said that there were no exit strategies for Government programmes, so if a civil servant was working on a programme, it would apparently come to an end—the Minister would say that that was enough—but the team would carry on and be in place and be paid for a long time. Those are just two little, anecdotal examples of the extent of inefficiency that has to be taken out before we can start being worried about any impact on services.

On the services, the professor says he hasn’t come across examples of people who have delivered more for less, but I have. If you go to the Merseyside Fire and Rescue Service you will discover an organisation that over the past 10 years has halved the number of fire deaths in Liverpool, and the number of fires, while reducing the number of full-time fire-fighters from 1,500 to 850. The reason they have done that is that they have changed the way that fire and rescue service operates. Instead of waiting for a fire to happen and to go and put it out, they have turned it on its head, sent out their fire-fighters to all parts of the community, putting up smoke alarms and transformed the fire safety of the region. In that sense, the cuts and the crises are the great opportunity to rethink matters and establish ways of working that have previously been inefficient.

Professor Kakabadse: If you do that, you will do exactly as my colleague has said. You will go to a service and identify that you want x number of people fewer, that you want the practices to change, that you want fewer fire engines and smaller smoke alarms. You will go into a level of detail and then replicate that by Department, by Department, by Department. I was asked whether I would affect service, if I took a third out of my costs. The answer is yes.

If I were told that people were going to take a third out of their costs and that they now have a plan Department by Department, that each permanent secretary already has an initiative or guide to how they would reposition all of it and that there is a training programme behind it, my colleague would be right. The question is whether you have that. Here, the devil is in the detail. If you do not have the detail that you

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have just heard, from my experience I do not know of a change programme that has succeeded.

Q86 Chair: Mr Haldenby, I need you to answer that. **Andrew Haldenby:** What happened in Merseyside was not an initiative of the Home Office or the Department for Local Government, whatever its name was then. It was the initiative of a team of public service managers. I will not go on, but two things happened: one, they discovered that they were going to have falling budgets for a number of years to come for various reasons and, two, they had a particularly terrible fire where a young girl died. They did everything right. They got the fire engine there within seven minutes. But the young girl died, and they thought that they had to change. It was not a Civil Service initiative.

Q87 Chair: But it seems that the people on the ground and at the local service delivery had the skills and the authority to make the necessary decisions, and were allowed to take the initiative and had the means of taking it. Is that not rather rare in the public sector?

Andrew Haldenby: Well—

Q88 Chair: No?

Andrew Haldenby: The public sector is composed of units, which could all do that, but the way of organisation tends to stifle their individual initiative.

Q89 Chair: I do not understand why you are being so negative. Professor Kakabadse?

Professor Kakabadse: If you start with a top-down change programme, without specifying exactly what you want Department by Department and recognising that each Department has a different task, a different history and a different set of outcomes, each one of those outcomes in the reform process you want will be different from some sort of generic statement, and you will have the success that you want. What is being described now is a local initiative from people who saw a local problem. They felt the local problem, and there was motivation to do something about it. I do not hear that in the question that you have asked me.

Q90 Chair: Do you hear that in the reforms that the Government are trying to implement?

Professor Kakabadse: I do not hear that. I hear what could happen. I understand what could happen. It could be a tremendous opportunity, but I would now like to hear some sort of detailed view.

Q91 Chair: How should we make it happen?

Julian McCrae: I am deciding on the nuance to what is happening in Whitehall.

Q92 Chair: This discussion is very helpful for us.

Julian McCrae: There are 18 ministerial Departments in Whitehall at the moment. They are all taking different approaches to dealing with the issue because they are all in slightly different situations, both in a political context and an organisational context. Some Departments have really been engaging with the issues that Andrew is talking about for quite a long time. The Ministry of Justice had been working on a

programme for how it will reform itself and the wider justice system for 18 months in the run-up to the election.

At the DCLG, there was a very sharp change in political direction at the time of the election and it is moving very fast to orientate itself around that change. I will not go through other Departments, but some are probably on a bit of a slower curve than that. They are taking their time to figure out where exactly they lie. An extremely interesting question goes back to the Chair's point at the start: which approach to the end point of better public services to change in Whitehall will prove to be the right one? Is it the one that takes this change on up front, is very explicit about it and articulates exactly what it is doing or is it the one that says, "Let us try and leave this for a little while. We can hide some of those administrative cuts in the budget. We have a finance director who is brilliant at doing that, who we have in Whitehall, and I shall try to change the rest of the system without changing myself"?

The private sector literature and Andrew's research will tell you that the first of those should be, in principle, the right way to go about it, but we will see. It is also very risky.

Q93 Chair: Do you all agree that the first case is the way to go about this?

Professor Kakabadse: Only if you take what Julian said and apply that to every Department with exactly the degree of effort and rigour that he described. We have a permanent secretary in the team who is totally behind this. On top of that, we have a Minister who is totally behind it. Ministers talk to one another about the reality of making change work and they will defend their Departments. We have a change programme.

Q94 Chair: Isn't that the role of the Cabinet Office, Andrew?

Andrew Haldenby: I don't think so; the Cabinet Office sits outside the spending Departments.

Q95 Chair: But isn't the role to make sure that Departments have a coherent change programme?

Andrew Haldenby: No, the question is who is accountable for the change. In the end, that is Ministers working with their individual permanent secretaries.

I do not disagree with my colleague, but the point about Merseyside is that you do not need grand action plans; the point of the post-bureaucratic age is the Government's aim to get away from those. Of course we want to have a structure and an understanding, but we want to let this local initiative happen. Let's not wait for another round of grandly organised Cabinet Office initiatives on change programmes, which we have had many times before.

Professor Kakabadse: On the question of the Cabinet Office being held accountable, if you want a good change programme, the Executive are held accountable; if you want a good change programme, the board is held accountable; if you want a bad change programme, we will have a change officer here and he will take full responsibility.

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If a Cabinet is not held accountable, please tell me where the body is. I do not know of a body where we get together the top management, the top ministerial group, and the permanent secretaries. That is the body of people that will drive this and discuss the reality of what will happen three years from now when we come across problems. They will hold themselves to account, which is the whole purpose of having that top Executive. If that group does not hold itself to account, we do not have a change programme.

Chair: Right. We shall have some short questions from Mr Hopkins, Mr Roy, and then Mr Mulholland.

Q96 Kelvin Hopkins: Just one quick counter-example to what Andrew Haldenby said: Stafford hospital, which cut finance and cut personnel, and there were 400 extra and unnecessary deaths. That is the danger.

Andrew Haldenby: Well, clearly it is possible to make the cuts in the wrong way, but the example of Merseyside indicates that it is possible to make them in the right way. I would be confident that one would see many more of those positive opportunities than the ones such as you mentioned.

Q97 Lindsay Roy: In essence, we are discussing cultural change. It is about empowering and engaging with people who are working together towards a common purpose. In that way, the plans could be driven through. I hear, however, that there is still a lack of coherent direction in terms of people working together with a common purpose towards a common end.

Professor Kakabadse: The current programme is concentrated on communities and localities, and we call it Big Society decentralisation. If you could show that there is a coherent structure that displays the same degree of professionalism as the Civil Service currently has, the chances of this change programme working would be high.

It is a bit like your car manufacturer and your dealers—dealers are the people out there whom you cannot control, but if you bring them on board, you have something that works. I do not hear that.

Julian McCrae: Briefly, the people wanting this are at the heart of it. The danger for the Civil Service is that it often confuses process with dealing with the reality of people and relationships, and the substitute. The Cabinet Office has some role, but to say that there is a Cabinet Office process to make it happen will not work. It is about the group of leaders at the top of Departments, motivating their staff—that is what must happen.

Q98 Greg Mulholland: We have been talking about accountability in some of its forms. It seems that the great thrust of the current proposals is to splurge as much information as possible on the internet about how policies are made, about figures, and about costs—and we will therefore have transparency and accountability. Do you think that that works or are the Government being naive?

Andrew Haldenby: No, I agree with the previous witnesses. It will not in itself transform people's understanding, but our work on the power of

information informs us that it is not always about the consumer; it is about people managing the service. People managing public services have to be held to account for their performance. That has to be done through information. The greater amount of information—including the safety side in the health service—enables managers to hold other managers to account and chairmen to hold chief executives to account. In that sense, it might not lead to a huge culture change in our country, where we all talk about the public sector, but this transparency, which is in its early days, should lead to better public service performance.

Professor Kakabadse: I feel there are two separate processes—transparency and accountability—and they have to be handled completely separately. Of course transparency is great, but let me give you an example. There is a movement called the corporate social responsibility movement to basically humanise the corporation. What did that do? We now have CSR activities reported in the annual accounts. Let me assure you—absolutely nothing has changed. The 5% to 6% of companies that were corporately and socially responsible, from India to Aberdeen, still are. In the other 93% to 94%, nothing has changed. CSR is being used as a wonderful marketing tool to make you look better, until the next scandal comes up. If you want to hold anybody to account for something in CSR terms, you basically say, “You misreported on the finance—you’ll go to prison. You misreported on the CSR—you’ll go to prison.” I do not see any manager willing to go to prison because they misreported on CSR. So, it is very clear—transparency makes things transparent. It has nothing to do with accountability. Accountability basically means, “Why are these people responsible for these activities?” We can make 100 things transparent, but you may only wish to hold them accountable for one. The logic behind that is the most critical issue.

Chair: That is very clear.

Julian McCrae: I agree with Andrew—accountability is at the centre of decentralised Government. The real key to accountability is moving the power along with accountability. If the two disconnect from each other, accountability will never shift. It will just work its way back to the centre, so it is a very big issue for Government.

Q99 David Heyes: Just a brief word from each of you on Departmental Boards. On the attempts to enhance them by bringing in non-executive directors, the Institute for Government has queried whether the reforms will improve the effectiveness of Departmental Boards.

Julian McCrae: What we are saying is that you need to be very clear about what the role of the board is and the individual responsibilities within that. If you have ambiguity, you will produce something that simply has tension, which goes back to the human points of structures. While the experience coming in is very important, you have to bring that to bear in a way that people understand and that respects the accountabilities of Ministers and the role of the permanent secretary as accounting officer. We are hopeful that this will improve the governance of

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Departments, but it needs careful thought and planning

Professor Kakabadse: We are going back to the pre-bureaucratic age. Any skilful chairman shifts from one company to another. The first thing they will do if they are any good is rethink the purpose of the board. The reason they will do that is because they will look at competence. What is it about this organisation that requires this and this that the board can either deliver or not? One of the worst things to do is to confuse a board with a committee. I know of nowhere in the private sector that creates boards where committees should be. You may have a multinational with different businesses, and each one of them has a board, but it is not a department. It is a quite separate organisation. You do not get Microsoft having boards halfway down the structure looking after the same sort of thing with external people. You have working parties, committees and flexibility—

Q100 Chair: So what you are saying is that department boards will reinforce silo mentality.

Professor Kakabadse: I think it will not only reinforce silo mentality but create irritation with external non-executive directors, because they will find they are helpless. Their hands are tied. I think you will make things worse.

Q101 David Heyes: Do you agree?

Andrew Haldenby: Last year, I spoke at a conference of non-executive directors in the public sector, and the consensus of the handful of people to whom I spoke was that they would not put themselves forward to go on to the Departmental Boards, because they felt that it would be a fruitless exercise.

Chair: Very interesting. Thank you. Moving on to ministerial accountability, Mr Hopkins.

Q102 Kelvin Hopkins: I asked a question before about whether civil servant responsibility is now a thing of the past and whether civil servants should be not only accountable through their Minister, but publicly accountable. I used the example earlier of how, in the past, Ministers would resign automatically if something went wrong. In the previous Labour Government—I was critical of this—one Minister actually publicly blamed the civil servant and was in serious trouble for that and rightly so. Are we moving into a new age or are we going to reinforce the tradition of ministerial responsibility?

Professor Kakabadse: Unless you come up with a structure that absolutely and clearly displays how the civil servant is going to be held accountable, you must keep what you have now, because we have people who are elected by the people to look after this service, which we are basically paying for with our taxes. If you're an investor, you do not expect your chairman, whom you have appointed to the board to look after all the wealth, to then publicly criticise the chief executive and say, "It wasn't my fault." In that case, what are they doing there? Either you have a mechanism that shows that the Civil Service is publicly accountable and that all of us have some sort of access to it, or you start looking at the quality of your Ministers and the quality of the relationship

between the Ministers and the public servants. That is where the problem lies as far as I can see.

Chair: Mr McCrae, you are looking pained.

Julian McCrae: I have a slight nuance on that.

Chair: Disagreement.

Julian McCrae: For an organisation that has a top, you can't have a difference in accountability; there is this person at the top. A lot of the public services that we deal with, however, are real systems. They have a lot of people who have a lot of responsibilities. Some of whom, for arm's length bodies, we deliberately try and keep Ministers away from, because there are quite legitimate concerns about their independence, and the IFG has written on that.

Understanding how you can place the accountabilities for those things, the details of which you do not actually want the Minister to be responsible for—he may be responsible for the overall system—in a way that works and produces genuine accountability, because you genuinely move power, is a detailed question. It is one that we want to look at in a lot of detail, but I do not think it will just come back to the Minister being responsible for everything. If you take seriously the notion that you are attempting to localise and decentralise power, you have to localise and decentralise accountability within that whole system.

Professor Kakabadse: The whole of our governance is based on private sector practice. Can you imagine the chairman of HSBC, which has 360,000 people and is bigger than Monaco, holding himself or herself not accountable for some activity that took place, for all I know, in a backstreet in Shanghai? The whole point is that you create a structure whereby the top management, and those that are brought in to represent particular interests, trust the structure. You have invested in the structure and the people. Of course things will go wrong. That will not stop that. But the principle of how we make accountability work is not by creating rules; it is by ensuring that that you have invested in the leadership.

Please understand that the one thing that has come out of governance the most is that it has always emerged from a bad practice. It is one of the biggest myths to think that good governance means that you run a well-run corporation. The Cadbury report was created because directors were siphoning off funds for third and fourth homes. Enron was responsible for the Sarbanes-Oxley Act. Governance has always followed somebody doing a bad thing. We now create rules so that nobody else does the bad thing again. That doesn't mean to say that this place runs because of good leadership.

Chair: Mr Haldenby, briefly, and then I have one final question, because I am afraid that we are running out of time.

Andrew Haldenby: Very quickly. One of the consistent findings of research on the Civil Service is the failure of individual civil servants to perform. The point about accountability is that personal accountability would increase the performance of those individuals. It's not a binary thing. Of course, people at the top of the organisation will always have overall responsibility, but our Civil Service tries not to focus on the individual performance of those people within it. That is a consistent finding of the capability

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reviews and so on. That is why the doctrine of ministerial responsibility is a big problem—it has made the performance of individual civil servants invisible which is obviously not true. Obviously, some people do better than others, and some can do better. That is why it needs to be reviewed.

Q103 Chair: Finally, we have got these proposed principles of good governance. Is this a good avenue to pursue? Do you have comments on what we have put out in draft so far?

Andrew Haldenby: Perhaps there is a fear—fears expressed in Committee—that this might be a bit of a wild goose chase. One could get a bit lost in the search for these principles, rather than focusing on the nuts and bolts of the problem before us.

On the principles that you set out, the first one is accountability. What does that mean? It means, purely in the case of the Civil Service, the Civil Service being held accountable for getting on with their jobs. You then have a series of process things, such as IT, which seem to me to be contradictory to the first principle. If you are going to hold civil servants accountable for the delivery of public services—or for the policy of public services, and so on—it is up to them what IT they use. This Committee does not know which IT they should use—it is up to them, if they can then be held to account for their overall performance, regardless of the type of staffing or IT, or whatever.

Professor Kakabadse: What you are trying to do is excellent. There are three issues: first, the context of why you are doing it; secondly, what the principles are; and, thirdly, the leadership that will make those principles work.

If the context is that we have internal inefficiencies and that is clear, the principles will emerge as clear. If the context is, fundamentally, we have to cut costs and this country is suffering because we have no money, but you go to the City of London and there is £450 billion in spare cash waiting to be invested, you are therefore making civil servants redundant while bankers are getting bonuses and have the money to invest and sort out our problems right now.

Chair: That sounds a bit Bennite.

Professor Kakabadse: Well, we have a political situation. If your context is that, and yet you don't

look at the reality of our financial structure as a nation, you are basically saying that we need good principles of efficiency, but we have something else happening in the background, so the principles won't work. If the context is clear, and your principles fit with the prime purpose that you are trying to achieve, and then you build a leadership that can exercise—

Q104 Chair: So, all you are saying is that you have to have a coherent narrative about the £450 billion in the City and the public sector cuts?

Professor Kakabadse: Absolutely.

Chair: In order to be able to lead effectively.

Professor Kakabadse: Absolutely.

Q105 Chair: Okay, I understand that. Mr McCrae?

Julian McCrae: You have to have values and principles inside anything you are doing, but the question that strikes me is who can articulate. Can the Civil Service and Ministers jointly articulate what this Civil Service or this Department will look like in four years' time, then answer the subsequent questions of what that actually means? How do you get there? What are you doing about investment in your staff, skills, and so on? Thirdly, can you point to the things and the numbers—the figures you are looking at—telling you that you are definitely on track to do that? If people cannot answer those types of questions that means that they might be able to talk a lot about principles but they are probably not on track to meeting the challenges faced by the Civil Service. Such questions occur to my mind, but I would not say they are any more valuable than that.

Chair: I hope you will excuse me for feeling that this is some of the most difficult stuff that we have dealt with so far. I am finding it very difficult to get my brain around it. I am grateful for my Committee's indulgence for the time running over quite substantially, probably reflecting my confusion. However, you have been very helpful to us. Please continue to contribute your thoughts to our inquiry as we go along. I am very grateful to you for coming and giving your evidence today. Thank you very much indeed.

Tuesday 1 February 2011

Members present:

Mr Bernard Jenkin (Chair)

Nick de Bois
Charlie Elphicke
Paul Flynn

Robert Halfon
Kelvin Hopkins
Greg Mulholland

Examination of Witnesses

Witnesses: **Lord Armstrong of Ilminster GCB CVO, Lord Wilson of Dinton GCB, and Lord Turnbull KCB CVO,** gave evidence.

Q106 Chair: Thank you for joining our Committee this morning. For the record, would you each kindly just identify who you are?

Lord Armstrong: I am Lord Armstrong of Ilminster. I was Secretary of the Cabinet from 1979 to 1987, and Head of the Home Civil Service from November 1981 to December 1987.

Lord Wilson: I am Lord Wilson of Dinton. I was Secretary of the Cabinet from January 1998 to September 2002. I was both Secretary of the Cabinet and Head of the Home Civil Service in that time.

Lord Turnbull: I am Lord Turnbull. I succeeded Richard Wilson in both roles in September 2002 and I retired in July 2005.

Chair: Thank you. Our principal concern is our inquiry into good governance and Civil Service reform. We are attempting initially to establish some principles of good governance, but our questions will go wider than that. We will start with the Cabinet Manual that has just been produced.

Q107 Robert Halfon: Do you think that the production of the Cabinet Manual is a good thing?

Lord Armstrong: Yes, I do think it is a good thing. It is a comprehensive collection of material about how things are done, both in some constitutional matters but also in administrative matters right across the Government. It is a very useful collection of information. I do not think that one should exaggerate its importance. I do not see it as a written constitution or anything of that kind. It is descriptive rather than prescriptive, descriptive of the way things are now. I think it is very useful. I can see that it will be able to be updated as the system and practices change. That too is going to be very useful.

Q108 Robert Halfon: Is it based on precedent and convention? How has the Manual been drawn up?

Lord Armstrong: You would have to ask somebody closer to the business of it than I am, but I presume there has been a team of people collecting the material. Some of it obviously is not directly from the Cabinet Office—the material about the Attorney-General, the Law Officers and so on. There would have been an editorial team collecting it under the leadership of Sir Gus O'Donnell.

Q109 Robert Halfon: What is the legal backdrop to the document?

Lord Armstrong: The legal backdrop?

Robert Halfon: Yes.

Lord Armstrong: I do not know that there is a legal backdrop as such. I think it is an administrative document.

Q110 Robert Halfon: In essence, is it just guidelines rather than an enforced set of rules?

Lord Armstrong: It is not rules, it is guidelines. It is a description of what happens now, the way it is done now, and it is capable of modification as the way things are done changes.

Lord Wilson: It says on the cover “a guide to laws, conventions and rules on the operation of government”. It is a mixture of all those things. Some of it is in the law; some of it most definitely is not in the law and, as Lord Armstrong rightly said, is about describing how things are done.

Lord Turnbull: It brings together two kinds of material, and they have slightly different statuses. There is the bit that relates to how the Civil Service and Cabinet work, which is authoritative, because the Government is in the best position to say what is the best description of those workings. There is also material where they are describing their relations with other people—the Judiciary, both Houses of Parliament and so on. Some people have said, “What right have you got to describe that?” I think the answer they will give is, “We are telling you how we think we interact with those other parts of Government.” It is useful for them to know what we think is the way in which we interact, for example, with the conduct of civil servants appearing before Select Committees. Those two parts are of slightly different status, drawn together in one document.

Q111 Robert Halfon: Lord Armstrong, would you have found the Cabinet Manual more useful when you were conducting negotiations in 1974 regarding the potential coalition with the Liberals?

Lord Armstrong: I should have found it useful if there had been such a document, certainly yes. I suppose, in a sense, the experience of that time, as it was funded at the time, became part of the basis of the Manual. As it was, I had to do research from other sources to fill myself in to think about what would happen if we came to that situation.

Lord Turnbull: Another use of this was not simply to get the principal players in, for example, the Cabinet Office and the Palace on to the same page, but to explain to the outside world how this works. There were a lot of misconceptions. People had got used to a Prime Minister losing an election and departing the

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scene by Friday afternoon. To explain the process whereby negotiations take place, I think, helps calm people. They did not expect there to be a result immediately. The comment written about this process was thereby more informed. Given the tensions around the markets at the time, I think that was a very useful function.

Q112 Robert Halfon: Given what you have said about the Manual really being about guidelines, is your view that this Manual does not represent the start of a written constitution?

Lord Armstrong: No, in my view it does not. I think it is descriptive, rather in the way that academic and learned treatises have been in the past. There is nothing in it that says there is a process for amending this. It is a description of business as it is, work in hand, if you like. That will change; it will modify, as it has in the past. That will be reflected in updates of the Manual. I do not see it as a written constitution, but I do see it as a useful work of reference.

Lord Wilson: I see it as a modest but useful document. It does not attempt to write comprehensively. There is a great deal that lies behind it—behind almost every sentence in some places—but it provides the outlines, a starting point, for someone who wants to have an overall view of what the conventions are in a particular situation.

Q113 Chair: Is it in fact therefore misnamed? It is not a Cabinet Manual; it is questions of procedure for civil servants.

Lord Turnbull: It is not just for civil servants. It is to explain both to Government's partners elsewhere in the constitution how they think they work, and to the wider world. I think it is misnamed. It is a title they have borrowed from New Zealand. People think this is about the Cabinet, whereas it is about a lot more than the Cabinet. The subtitle "guide to laws, conventions and rules" is actually a more accurate description, because "Manual" has slightly too prescriptive a tone, I think. Maybe they can adjust the title, but I think the foreword is very clear on what the purpose of this document is.

Lord Armstrong: I agree with the comments on the title and I have been trying to think what better title one might give it. I am unable to think of anything crisp and short, except perhaps, "The Way We Live Now".

Q114 Robert Halfon: Lord Turnbull, you are quoted as saying, "Civil servants should support the Government, but shouldn't try to keep the Coalition together." Do you not think that, in the negotiations for the coalition, the Civil Service overstepped the mark, given that Gus O'Donnell is quoted on the record saying that he advised that a coalition would be better for the markets? Is that not a step too far in terms of the Civil Service?

Lord Turnbull: The Civil Service said two things. One is that they would provide logistical support: people needed rooms, communications or whatever, and that offer was taken up. The other was that they said, "If you want note takers or you get into something like proximity talks and you want someone

to carry messages from one place to another, we will do that," which is what has happened in Scotland; or "If you want help drafting this document." In the end, the parties decided they wanted to do that themselves but, if they had wanted to take advantage of that, I think that is a proper function. Advice such as, "It would be a good idea if you went about this briskly, given the uncertainty of markets"—that was advice that was generic; it was not specifically catered to a particular party.

Q115 Robert Halfon: He said specifically that a coalition would be more helpful to the markets. Surely that is a political statement in itself. Who knows whether a minority government would have been beneficial to the markets? We just do not know. Even if it is right, is it really the job of a civil servant to try to push the Government into having a coalition?

Lord Turnbull: I think it is perfectly valid, particularly for someone who had been a permanent secretary at the Treasury, to indicate that there was a danger of market uncertainty. I personally think it is true that a coalition has two things. It has support—in effect it has a majority—and also it has some commitment that this will last through time, which is going to give more assurance than a minority government, where it is all about how long it is going to be before one of them decides to break cover and demand an election.

Q116 Robert Halfon: Does it not give the impression that the Civil Service favour the coalition, as opposed to another scenario?

Lord Turnbull: I think it may be valid to say the Civil Service favoured a coalition; it did not say which form of coalition and whether it was Lib/Lab or Conservative/Liberal Democrat. That would have been overstepping the mark.

Q117 Robert Halfon: Surely the Civil Service should not favour a coalition or not a coalition? It should be up to the elected politicians to decide.

Lord Turnbull: No, what it should favour is a government that is stable, able to carry through its programme and has some prospect of lasting long enough to see it through. It is perfectly right to express a view that that would be a desirable outcome.

Lord Armstrong: I think it is not unreasonable for a civil servant, who was probably asked for his view, to say that, if the Queen's Government is to aim to be able to be carried on, it would be a good thing to avoid instability in the markets. Given that markets were in a fragile state, a fragile condition, at that time, it is perfectly reasonable for a civil servant, particularly if asked, to say, "You should be thinking about the possible effects of what is going to happen upon the markets," because the consequences of not thinking about it could have been extremely serious.

Q118 Chair: Lord Wilson, would he have been better to keep his advice private?

Lord Wilson: I make it a practice never to comment on what my successors did, but I think the role of the Civil Service is to support the Queen and to help advise the Queen in her function of inviting someone

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to form a Government. In the process of doing that, I think it is proper for them to draw attention to something that was—I guess; I don't know the facts of this case—pretty obvious at the time, that there was a real danger of instability in the markets. I think that is part of doing the job well.

Q119 Paul Flynn: Part of the Manual is the role of the Sovereign. Do you think there is a need now to redefine the role of the Sovereign, after having had the present Queen, who has served for a very long period without knowingly or publicly expressing any political opinion? A future change will involve possibly Prince Charles, who frequently expresses political opinions. Unless the role of the Sovereign is redefined and restricted to a largely ornamental role, isn't there a possibility of problems similar to those that occurred in the 1930s with the Sovereign?

Lord Wilson: I am sure Select Committees or their predecessors over many years have said, "Should we be defining this?" The fact is that, by not defining it over some centuries, we have actually allowed the role of the Sovereign, in a very British way, to evolve without creating crises. I think that is a peculiarly good achievement. We are astonishingly lucky to have a Sovereign who has such a source of political experience of public life—over half a century and more, 60 years—who has met the Prime Minister of the day, weekly, to talk in private about the affairs of state. That is an arrangement that is reasonably clearly set out here and reasonably well understood but, if you tried to put it into the law, you would have great difficulty pinning down the essence of it. The process of slowly cutting back on the royal prerogative in legislation has been going on for a long time. My own view on the whole question of a written constitution is that it is much better to try to move forward incrementally, bit by bit, rather than to attempt a comprehensive rewrite of something that works, on the whole, pretty well and is quite hard to define.

Lord Armstrong: I am quite sure that the present Prince of Wales, who has been around in that capacity for some decades now, knows very well that his freedom of action and speech will be curtailed when he succeeds his mother. I am sure that he is ready to adopt the same constitutional arrangements, as to what he may say or do, as she has followed.

Lord Wilson: I should have said that. I absolutely agree with Lord Armstrong's comment.

Q120 Paul Flynn: The historian Robert Rhodes James, who was a former member of this House, wrote that, at the time when the Conservative party had decided to get rid of Mrs Thatcher as Prime Minister, there was terror in the party that she would call a general election. The Conservative party couldn't stop her; Parliament couldn't stop her; the Cabinet couldn't stop her. Only the Sovereign could stop any Prime Minister who was acting in her or his own interests from calling an election at that time, which might have been contrary to the public interest. Isn't it important that the role of the Head of State is defined and strengthened in that particular area?

Lord Turnbull: I was serving in Mrs Thatcher's private office at the time. I do not recognise that

description at all. The idea of an election—this is, quite honestly, the first time I have ever heard of it. I think it is a fantastical idea and has no real relevance to the discussion.

Q121 Chair: Supposing it was the case that a Prime Minister wanted to call a general election rather than just face their own demise as leader of the party, what would happen?

Paul Flynn: This was from a serious historian who was at the heart of the Conservative party.

Lord Turnbull: What is in this Cabinet Manual is a very important principle, which is that the politicians, possibly eventually requiring a vote in the House of Commons, sort this thing out and present her with a solved problem and that she is never faced with having to use discretion that might prove controversial. In two areas, this is related. First of all, the choice of a leader of a party. We will never again get 1963 or whenever it was, when the Sovereign has to choose who should lead the Conservative party. All parties now have proper processes to sort this out. At an election, the political process would have to come to her and then present her with this solution. I think that is a very welcome shift over the last 30 years, and it means that the Sovereign is never put in the position of having to take a decision that might be contested, as most recently, although it is 30 years ago, happened in Australia, when the Governor-General took some action that was controversial. The whole purpose of this Manual is to say we must never put the monarch in that position again.

Q122 Charlie Elphicke: The Manual is very focused on the duties of the Sovereign. I have no doubt that Prince William will make a very fine King in due course. It is focused on the whole issue about Ministers and the Executive. Why is there no mention in this directly about more of an emphasis on the people of the land, public service and the sense of serving the people, which surely is at the heart of everything? It always seems to be looking up to what the top people want, rather than looking at how to ensure that there is a greater engagement and a greater sense of public service, or am I being unfair?

Lord Armstrong: I do not think the Manual aims that high. As I say, I think it is descriptive of what happens now and it is not there to provide guidance about what you might do in other situations or for other purposes. There would be lessons to be learnt from what happens now and the previous development, but it is not the purpose of the Manual to try to prescribe from those lessons. I do not think that that is a fair criticism of the Manual as it is intended to be.

Q123 Nick de Bois: Lord Turnbull, given the statement that you just made saying that never again should we put the Sovereign in a position of having to make a controversial decision, or words to that effect, do you still hold the view that we are not presenting the beginnings of a written constitution here by making such judgments?

Lord Turnbull: I do not think that we get nearer a written constitution. The origin of this piece of work

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was a time when Gordon Brown went through a phase of being rather interested in the constitution. I think he was testing out the proposition. In my experience, the minute you get to a written constitution, you quickly find that the debate is not between people who want a written constitution and people who do not but with people who want to make some changes to the constitution and then entrench them in a written constitution. I do not think this necessarily takes us that way. The fact that for example, as has been mentioned by colleagues, the role of the Sovereign has evolved, even in her reign, tells you that there are some advantages in the flexibility that we have got.

Lord Armstrong: May I go back to the night in October 1984 when the IRA blew up the Grand Hotel? There was a period of about half an hour in the middle of the night when I thought that the Prime Minister might have been killed. I did do a lot of thinking in that time about what one would do if a Prime Minister was removed from the scene by that sort of thing. As Lord Turnbull said, the ultimate solution is the election of a new leader. The Sovereign would in effect be bound by that, and it would be for the politicians to decide whether there should be an election. There would be questions about the appointment of an interim Prime Minister to carry on the Administration until the election took place, but that process would in effect be resolved by the politicians.

Chair: By the Cabinet.

Lord Armstrong: By the Cabinet. There would be some person within the Cabinet who would be the obvious choice to be the interim Prime Minister. As it happened in October 1984, it would have been probably Lord Whitelaw, I think. What Lord Turnbull says is basically right about that. I think that the Sovereign does retain an ultimate power to respond to the request for a dissolution of Parliament. In 99 cases out of 100, the Sovereign will grant the request. I think the discretion remains in case you get a Prime Minister who has gone off his or her head.

Chair: Which I think was the basis of the original question.

Paul Flynn: I was too nice to say that.

Lord Armstrong: One has to think about it. There could be a Prime Minister who went off his or her head. At that point, the Sovereign would have to exercise his or her discretion and say, "Are you sure that the Government cannot be carried on by somebody other than you?" I hope it will never happen. I have yet to meet a Prime Minister who has gone off his or her head, at any rate while still in office. I think the discretion remains, and could, in these I hope very remote circumstances, be rather useful.

Lord Wilson: This comes back to the nature of this Manual. I think it is modest and useful. In my experience, most of the situations that you have to deal with are not covered ever by the guidance. You always, as it were, have to take it as a starting point and then work out what the practice is and what you should do in a particular situation. I think this discussion has illustrated that.

Q124 Kelvin Hopkins: Isn't it crucial that the Civil Service plays a role in maintaining and safeguarding the conventions by which we govern ourselves? If that is the case, isn't it absolutely vital that they are permanent and that they retain their impartial nature? Obviously in this situation it is difficult for you to make any comment that might appear critical of the present Civil Service or its leaders, but you have commented recently on what happened in the past, most interestingly, in the Chilcot inquiry. You cannot say so, but I can say that I thought it was a bit of a break with these conventions that Sir Gus O'Donnell came out publicly urging a coalition. One would expect the head of the Civil Service to say that sort of thing in private, but not in public.

Lord Armstrong: I should think that he was warning about the danger of instability. That was perfectly within his rights. Of course I agree with what you say about the need for the Civil Service to be non-political and impartial. I should think I speak for all three of us in saying we have been constantly conscious of that while we were in office. That is the important point about it.

Lord Turnbull: Two developments in the last two or three years: first, the revised Civil Service Code; secondly, the clauses in the Constitutional Reform and Governance Act that that was passed just before the election.

Lord Armstrong: It got washed up.

Lord Turnbull: It got washed up. There were important clauses enshrining the concept of impartiality, so that has been entrenched. I do not think that is something that is under political threat. I think it actually is in better shape than it has been for some time.

Q125 Kelvin Hopkins: I speak as someone of the left who was deeply critical of the Blair attempts to change the nature of our constitution. I know from your comments last week, and also one could guess, what your feelings were, about the attempt to drive down the power of the Civil Service perhaps to govern with a small coterie of advisers, even marginalising the Cabinet and so on. The Blair revolution did not quite come off in the end and I think we are now stepping back from it. Did it not make you feel uncomfortable? Would that not have made Britain a fundamentally different place, if we had moved towards a presidential style of government, where the president has his small group of advisers and makes decisions without very much reference to anyone else?

Lord Armstrong: I think all three of us would be likely to agree with the last paragraph of the Butler report, some years ago, about sofa government, written in very coded language but none the less very clear in its meaning. Speaking personally at any rate, I think that one of the interesting results of a coalition is the return of a more collective form of Cabinet government. The collective system, with which we are all three familiar, of Cabinet government and the use of Cabinet committees to establish collective responsibility has received a boost, because you can only run the coalition if you are doing that. The coalition increases the need for collective government

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and collective responsibility, and for the mechanisms by which you achieve that.

Q126 Kelvin Hopkins: Clearly Jonathan Powell was hostile to the Civil Service, from his comments. I personally was seriously concerned that we were losing what I saw as the traditional role of the Civil Service, which I very much supported—the Sir Humphrey model that I personally thought worked very well. I would not suggest that you were quite in the same model as Sir Humphrey, but that was a better way of running things than what we saw later. Do you not agree?

Lord Wilson: When I was doing the job, Peter Riddell had an article headed, “West Wing meets Sir Humphrey”. To some extent, that resonated. The position that Lord Turnbull and I were answering questions about last week was quite an unusual one in constitutional terms. It is not in my experience common for a Prime Minister to be in such a very strong position. It only happens if you have a Cabinet that is happy for that to happen, a parliamentary party that is supportive, a trade union movement and political party and public opinion. If you have all of those constitutional checks and balances lying down in the same way, then the Prime Minister is in a very strong position. To extrapolate from that to a general observation about how we run the country I think would be a mistake. Normal conventions will reassert themselves, as I think is happening.

Lord Armstrong: Mrs Thatcher was a very strong Prime Minister, but she understood the importance of Cabinet government, and she took great pains to ensure that decisions went the way she thought they should go, but she did it within the framework of Cabinet government.

Q127 Chair: We must move on. This is all fascinating but we are miles behind. The Cabinet Secretary says in the document that this Cabinet Manual is not intended to have any legal effect. Lord Wilson, in your bitter experience of judicial review after judicial review, do we really have confidence that the Cabinet Manual is not going to be cited as evidence on one side or another that proper procedures have been followed? To that extent, does it not become justiciable?

Lord Wilson: You can never stop people citing things. However, the intention is clearly that it should not be binding, and I think intention matters. It is drafted in a way that is, as you heard earlier, descriptive not prescriptive, and any evidence that a court had about the Manual would have to take account of the fact that the intention is that it should not be binding and not be, in itself, a justiciable document. This is a matter for lawyers, but I would have thought that the fact that it is not written as, and not intended to be, a legally binding document or a rulebook of the kind that is meant to create legal obligations on Ministers would be pretty conclusive proof that it is not itself a legal document of that sort.

Lord Armstrong: I went through the Manual and noted with interest that the words, ‘should’, ‘ought’ and ‘must’ hardly appear at all.

Q128 Chair: Very interesting comment. Would not a senior civil servant, perhaps, trying to advise a Minister to do or not to do something, be likely to refer to this document? Rather like the way legal advice is received by Ministers, would not there be an obligation on a Minister to accept that advice? If they ignored that advice and got into legal difficulties as a result of it, the Cabinet Manual would be cited.

Lord Turnbull: It is important the way this document has been put together. By and large, the civil servants who have drafted it are able to reference some other source for the statements that they are making, which exists already. There’s the Ministerial Code, the special adviser code and various other pieces of hard and soft law. If they have been successful in that, there are very few statements in here that are new. The intention is almost that nothing should be new; you should be able to say, “I have written this because I’ve based it on that principle that is known already and I can tell you where I’ve got it from.” The amount of new purchase, you might call it, that it creates for judicial review is small, and that is certainly the intention.

Q129 Nick de Bois: I must confess I am a little confused as to who is actually going to read this book. I will not ask you your opinion on that, but I would like to explore very briefly, Lord Turnbull, if I could start with you, what role you think this Manual could play in terms of the way in which Parliament holds the Executive to account. Is it just simply going to explain to Ministers what to expect from Parliament?

Lord Turnbull: I think it is describing the status quo. It is certainly not commenting or glossing Erskine May, the rules under which the House of Commons operates. It is explaining how they would react in certain circumstances. I doubt it is going to change that to any great extent. When it comes to the House of Lords, it does not for example deal with the interesting question about whether the Salisbury convention is changed or not changed by virtue of there being a coalition. It is careful not to try to change anyone else’s rules.

Lord Armstrong: In the sort of situation you have described, a civil servant might say, “Well, here is what has been done in the past. It doesn’t mean it is what you should do now, but it perhaps does mean that you should think twice or three times before doing it differently. Perhaps you should talk to the Prime Minister before you make such a change.”

Lord Wilson: Strong Ministers will still want to act in a strong way, but it just provides a reference point. As to the audience, I am sure this great Committee and its successors will be regularly reading the Manual to see whether they can quote it to witnesses sitting here.

Q130 Chair: This is not the empire striking back against sofa government.

Lord Wilson: I would not want to describe any of this in the language of *Star Wars*.

Q131 Nick de Bois: Lord Wilson, I read from the evidence to the Chilcot inquiry that you seem to have a lot of faith in the way successful businesses conduct their board meetings, and went so far as to suggest

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that you would take an element of that and canvass opinion from Cabinet Ministers about the performance of the Prime Minister, which I found intriguing and a good idea. Is that something you would like to see in this Manual, if you think the Manual has any weight, so that it could actually become something the Prime Minister could not overrule or becomes *de facto* part of being a Cabinet Minister?

Lord Wilson: My comment was that I found it ironic, when I started taking up appointments in the private sector, that the Government that had been imposing increasingly stringent requirements of governance on the running of companies was itself following processes that were less stringent. I took one example from the current code, which was that boards of companies should arrange, either internally or externally, to evaluate the performance of the board—it is not just the chairman—and consider whether they were getting the papers they wanted, whether they were happy with their own performance, each other's performance and so on. I think that is rather a good discipline, and it was interesting to think of it being applied in the situation of a Cabinet. Either the Cabinet Secretary or someone else—it does not have to be the Cabinet Secretary—should go and ask the members of the Cabinet whether they were happy with the way it was running, whether they would like to see more papers, whether they would like more information or whether they thought the way that discussions took place could be improved.

Q132 Chair: Lord Wilson, you intend this to be empowering.

Lord Wilson: Yes, empowering of Cabinet Ministers. That was the underlying point, thank you.

Q133 Chair: It would seem a little revolutionary if you were Prime Minister, wouldn't it?

Lord Wilson: We have collective government in this country, in which the Cabinet as a whole takes responsibility for the decisions it takes. Therefore, what is wrong with a process that underpins that by giving Cabinet Ministers an opportunity to say whether they can see ways in which the way they discharge their responsibilities can be improved?

Chair: I think it is an excellent point and very well made, if I may say so.

Lord Armstrong: I sat in on the Cabinet under three Prime Ministers, and each of them ran the Cabinet in his or her own very different, very personal way. It would be very difficult to prescribe permanent rules as to how this is done, because it depends so much on the personality and the strength of the Prime Minister of the day, and his or her relationships with her colleagues and the way they do business. The way that Sir Edward Heath conducted his Cabinet was quite different from the way in which either Mr Wilson or Mrs Thatcher conducted their Cabinets. They were different from each other. It is so different that I think it is quite difficult to make any general rules about it.

Q134 Chair: You do not agree with Lord Wilson that there should be some check to strengthen the hand of individual Cabinet Ministers?

Lord Armstrong: I think it would be interesting to have that, but I do think that the differences between one Cabinet and another, and one Prime Minister and another, set limits to what you can do about that.

Lord Turnbull: Having heard Lord Wilson's suggestion, I thought it was a good idea, but there was one particular variation from the private sector practice. Directors of a company are elected by the shareholders, not by the chairman. Therefore, it is not in the chairman's power to deselect a director.

Chair: Something to which Lord Wilson's comments actually refer.

Lord Turnbull: Therefore, if you are criticising the way Cabinet's run, you are actually passing those criticisms over to the person who can decide whether you are a member of that body or not, so it makes it more difficult. In a well-run Cabinet, I think the Prime Minister should be having a regular series of bilaterals with his colleagues. One of the things you notice is some people see the Prime Minister every week, several times a week, and there are other Cabinet Ministers who go weeks on end and never have a bilateral. This is the point at which the relationship should develop. You say, "How do you think it is going? Are the ways in which we can improve?" That is the dialogue that I think is missing. We have to find a way of getting some feedback, but recognising it is slightly more difficult to do than in a corporate situation.

Q135 Nick de Bois: I think I'm picking up from what Lord Wilson said, that the onus, Lord Turnbull, on a non-executive director in a plc is that, just because there's a tough chairman, he still has the duty of care and responsibility to ask those tough questions. That emerged from the Maxwell days and so forth. Why is that any different for a Cabinet Minister? In fact, I would have thought a Cabinet Minister should have more spine to be able to stand up and make those recommendations. By the process that Lord Wilson is recommending, would you not agree that it gives them a little bit of an oomph to do that?

Lord Turnbull: The difference I am pointing out is that Cabinet Ministers do not have the same protection as a non-executive director has and, therefore, you have to find some other way of getting to this desirable end that there is some feedback.

Q136 Nick de Bois: A non-executive director could go to jail, and I am not sure a Cabinet Minister would if he did not ask the right questions.

Lord Armstrong: Their political careers could be ruined.

Q137 Robert Halfon: Going back to the Cabinet Manual, do you think it will have any effect on what was termed the Crichton Down principle, where Ministers are actually responsible for things that go wrong in their Department? That seems to have weakened over the last 15–20 years.

Chair: Can we leave that for a moment? We are going to come back to that later.

Q138 Paul Flynn: I come to the argument now that the worst decision in 25 years was the decision to send

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British soldiers into Iraq for the second time, the result of which was the loss of 179 British lives. We know now that decision was taken without the full knowledge of members of the Cabinet. Parliament supported it on false information supplied to it. Isn't this a very powerful argument against sofa government? I disagree with the Chairman. I think we have to say that we must press, on the basis of those 179 lives, for more collegiate government in future. Do you agree?

Chair: I am not disagreeing with that.

Lord Armstrong: I strongly support collective government, and I think that undoubtedly on certain occasions, including that, Mr Blair fell short of it.

Lord Wilson: I stand by what I said to the Chilcot inquiry, which is on the public record.

Q139 Chair: Can I move on? Lord Turnbull, you also made some interesting comments at the Chilcot inquiry about the Campbellisation of the information released by government. Comparing it to the disciplines that a plc would have to follow on the release of information, those disciplines just do not apply to government. Government can selectively leak, can selectively announce, can partially withhold information in order to get the right political effect of the information released, in a way that would see directors of a public company prosecuted. Would you like to enlarge on that and do you think there is enough in the Cabinet Manual that addresses that?

Lord Turnbull: I do not think this issue is discussed in the Cabinet Manual. I was struck by reading part of the Campbell diaries, where news emerges that Cherie Blair is expecting another baby, and then there is a row as to, "Do we tell *The News of the World* or do we tell *The Mirror*?" This should never have arisen. This should have been a piece of news that just came out of No. 10 to all people, including citizens, at the same time.

Chair: So it is an abuse of patronage really?

Lord Turnbull: It is an abuse of patronage, yes and, as I indicated in my evidence, the corporate world is going rapidly in the other direction, because not only do your results have to appear through the RNS, but other forms of communication, particularly for financial services companies, are being questioned by the FSA. If you hold an investor day, investor briefings and interviews with journalists, there are questions of whether, by the back door, information is being released selectively to various people. That is being clamped down on. At the moment, there is no restraint although, in the area of official statistics, I think we have won some ground back. There is now recognition that the GDP and inflation figures are produced according to a calendar, and go out and are not selectively leaked, but other forms of government announcement are still pretty much a free-for-all.

Q140 Chair: Are you ever concerned that our political leaders in government have used non-political people, like members of the armed forces or senior officials, to make the case for something or to announce something in a certain way, which is an attempt to validate, with an impartial person, what is essentially a political decision or a

political message? I am thinking particularly, most recently, of the letter in *The Times* from the Armed Forces Chiefs justifying cutting the Harrier, against very strong opposition from a previous First Sea Lord. Can you think of other occasions that have left you uncomfortable?

Lord Turnbull: I am not particularly uncomfortable with that one, because I think the military leaders went through a review and eventually agreed a settlement with their Minister and in turn with the Treasury. It seems perfectly reasonable, if that is the decision they have reached collectively, publicly to defend it. Whether it is before a Select Committee or a letter to a newspaper, that is what they are doing, so I am not sure that it meets the description of being leant on.

Lord Wilson: There is a very important distinction between explaining the Government's position and becoming an advocate for it. I think it is perfectly proper and necessary for a public servant or civil servant to explain what the Government's position is and what the reasons are, and this happens all the time with Select Committees, but there is a very fine line between that and a public servant getting into a position where they are actually arguing for something in a partisan way. That is a constant danger and one has to patrol that boundary.

Q141 Chair: Is it something that should be better reflected in the code or in the Manual?

Lord Wilson: To be honest, I have not read the code to check that point, but it is a very important point.

Lord Armstrong: Some of these points are dealt with in the Ministerial Code, which is a separate document.

Q142 Greg Mulholland: All three of you have clearly had long and distinguished careers in the Civil Service and have seen a number of the reforms that have come forward from political leaders. When you look at the last century particularly but the last 10 years as well, it seems that each generation is trying to reform essentially the same things and each time saying we have to get to grip with the same problems that are being identified. Is the conclusion that we take from that that all Civil Service reform ends in failure?

Lord Wilson: No.

Lord Armstrong: From my point of view, I think the process is one of constant adaptation. Yesterday's reform does one thing, then you find some other need and you have to modify and go to that, and that is a new form of Civil Service reform. You go through some periods where there is no reform, and that will be followed, particularly under the stimulus of a very active Prime Minister, by periods of quite a lot of reform. It is a process of constant adaptation within the general principles of the Civil Service's responsibility to Ministers, and Ministers' accountability to Parliament.

Q143 Greg Mulholland: Is that not really the crux of this: that it is constant adaptation, which is exactly what the Civil Service wants, and yet you have leaders, particularly strong leaders—Margaret Thatcher, Tony Blair and now David Cameron—

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coming forward with these grand reform schemes that are going to change everything from top to bottom. What happens really is that it is Sir Humphrey who is in charge, making sure that constant adaptation is what actually happens.

Lord Turnbull: I think I would describe it as being that we stand on the shoulders of our predecessors and build on their work. I will give you an example. When Richard Wilson was the head of the Civil Service and I was the permanent secretary in the Treasury, there was a group that produced a report called *Bringing in and Bringing on Talent*, and it was about opening up senior Civil Service posts to a wider range of applicants. It was started in his time, and continued and accelerated in mine. It was not a case of coming along and simply reversing something that had happened before. Very few things get reversed; they get built on.

Lord Wilson: I agree with that. The Civil Service that I left was very different from the Civil Service I joined. It had moved on immeasurably in important ways. Some of the changes are very big and important changes. I am going to use this as a small visual aid: the Next Steps policy, which was launched in 1988, was a profoundly important step. The financial management initiative was a profoundly important policy and the Citizen's Charter was a very important idea. Each wave follows the previous wave and moves the service on, and that is how these things are bound to work. Every Government needs something a bit different from the previous Government. The Civil Service that John Major left did not have all the skills and all the people we needed for new Labour. It is bound to be a process of constant adaptation and development, rather than a big once-and-for-all change that alters it.

Q144 Greg Mulholland: Do we need next steps? Do we need the post-bureaucratic age or is it really the civil servants who will dictate the pace of reform?

Lord Turnbull: Post-bureaucratic age is a new expression of a pre-existing idea. In 2001, Tony Blair said something like, "We need a new dynamic in public services—services built around the interests of the user of those services—patients, parents and the law-abiding citizen—rather than being structured around the requirements of those providing the services." That is a central precept of the post-bureaucratic age. There is also the whole idea of choice and what we are seeing in our own lives. I can remember a time when, if you had a telephone at all, you quite likely shared it with the people next door, and you only had one appliance in your house. People have different expectations about the services that they receive, whether they come from the private sector or the public sector, and this phrase, post-bureaucratic age, is capturing that and accelerating that process. Many of the ideas in it giving greater weight to the way people want the services delivered to them, already existed but under different labels.

Q145 Charlie Elphicke: In terms of the Civil Service reform, I am very struck that two thirds of civil servants now work in Government agencies. We have had written evidence from Professor Kakabadse,

who came to see us in our previous session. He says there are three key core Civil Service capabilities, namely policy design and development, service delivery excellence and agency relationship management, that is to say sourcing, outsourcing and the management of wholly owned government subsidiaries. Would it be fair to say that a logical extension of the agencies would actually be to raise productivity by contracting them out altogether?

Lord Wilson: It depends on the particular situation. The next steps concept, which Lord Armstrong played a major part in introducing, applies to an enormous variety of different kinds of activities around the Civil Service, and some of them are ones where contracting out has taken place. For instance, the prison service has contracted out to private sector providers the provision of some prisons. There are numerous examples of different agencies performing different kinds of functions and, in some cases, contracting out has taken place. It is very hard to generalise, but in principle that can happen.

Q146 Chair: Professor Kakabadse also points out that to do the post-bureaucratic age and the Big Society, the Civil Service actually needs a fourth skill, which he describes as "the formation of powerful community groups to provide service but also be able to effectively interact with the Civil Service". Would you agree with that? This kind of transformation of the Civil Service would require a great deal of training and re-education of the Civil Service and its capabilities. Would you agree with that analysis?

Lord Turnbull: Yes, I do. It is coloured by my experience, which I shared with Lord Wilson, of being permanent secretary at the Department of the Environment. There are many areas in local government where you have to bring together in a local area, say with a regeneration project, many players. Civil servants need the ability to influence, to be able to go to a public event, listen and persuade. Increasingly, we are looking for people who have that skill and there is less place, and they thrive less well, for highly cerebral people who operate in Whitehall, write well but do not like speaking or interacting with local people. My experience in the Department of the Environment was that there were lots of them, and a lot of them were in the regional offices, the regional development corporations or whatever, but it is absolutely right that getting people to join you in a common enterprise is a very important skill.

Lord Armstrong: You must always have regard to what Parliament and the public expect Ministers themselves to be responsible for. The Next Steps initiative, which was introduced in 1987–88, created as the initial Next Steps agents things like the Passport Office and the Driver and Vehicle Licensing Agency, where the great bulk of the work done is purely that of issuing licences or issuing passports. Ministers are not really concerned with that detailed administration; they are concerned with, in the case of the DVLA, the licence rates and with the budget for that organisation. That seems to me a perfectly sensible thing. The difficulties began to emerge with the Prison Service at the time of Mr Derek Lewis, where the Prison Service was taking decisions as a Next Steps executive

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agency, which eventually came back to haunt the Home Secretary of the day. That is a problem that you constantly have to have in mind. Ministers find themselves held responsible for things that they have not actually been concerned in the creation of.

Lord Wilson: I recognise what Lord Armstrong has described. I can think of specific situations that arose, where somebody within the Prison Service exercised their discretion in a very entrepreneurial way, which is very good but, when Parliament heard about it, it was seen as a scandal. This was about a prison governor who invested an end-year surplus in the provision of an all-year-round playing field, which I think was a very good piece of leadership. When Parliament heard about it, they knew that the local village playing field had been sold off, and they thought it was scandalous that the inmates had better treatment than local schools. The boundary between politics and management is quite often really difficult, and it is one of the differences from working in the private sector.

Q147 Charlie Elphicke: Lord Turnbull, this is a follow-up on my earlier question. During your time there was created, and I quote Lord Wilson, “a dizzying array of units for ‘modernisation’ and ‘delivery’ armed with centralised targets and league tables” that did not foster any engagement with the wider populace. People didn’t like it; it came to be severely criticised. Would it not be a good idea to allow more local empowerment and decentralisation?

Lord Turnbull: There are two and possibly three themes in that. One is: did we create too many units? We are down to the old joke of Bird and Fortune that there are all these units in the Cabinet Office, and there was the Social Exclusion Unit for anyone who couldn’t find a place in any others. When I arrived in 2002, there were too many units and we tried to rationalise that. The Office for Public Service Reform was probably surplus to requirements and gradually it was taken out, and its work was absorbed in other units.

The second theme is really about targets, and there I have some sympathy with this, in the sense that, if you are giving the health service £100 billion a year to spend, do you simply say to the professionals, “Do your best with it. You choose what outputs are going to be delivered.”? Some of the improvements that took place in the Health Service, particularly the reduction in waiting times, did respond to the pressure that was put by the setting of targets. On the other hand, targets get gamed against and they do create friction with the professionals. There has been, somebody said, a retreat from them. I do not think we should lose sight of the fact that people are entitled to know, if many billions of pounds are being spent on a particular service, what is being achieved, right down to the level of what any school is doing. If you do not like the league tables in which schools feature, you can either abandon them and retreat, or you can say, “Let us try to work on measures that are more sophisticated, which capture value added, for example.” To say we are not going to make any attempt to measure or compare the performance of

different parts of the organisation is a dereliction of duty.

Q148 Chair: In the private sector and the armed forces, they do not try to do this. They train the people down the line, so they become more autonomous and more capable. Delegated mission command seems to be something that the public sector is not very good at.

Lord Turnbull: Boards I am on have things called KPIs. There’s a report from the CEO at each board meeting on sales, profits, assets under management or whatever. They use this system. It is easier for them, because these are very often verified and they are not qualitative to the same extent.

Q149 Chair: The entrepreneurs we want in the public sector, the head teachers and hospital managers, are driven out of the public service by the directions and paper raining down at them from on high.

Lord Turnbull: There is a sense in which an idea that had an element of merit went too far and there has been a retreat from it. I do not think you then go to the point where you say, “We will make no use of delivery targets,” and the Public Service Agreements will simply say, “Here are the budgetary allocations for departments, for agencies, and you will be told nothing about what is expected to be delivered.”

Lord Wilson: It is a big topic this, but I lean in the direction more of setting people clear objectives and giving them discretion within that, with good training, to pursue those objectives. You can get into a situation where people are all pursuing their targets, but they lose sight of what they are trying to do.

Q150 Paul Flynn: I cannot lose this opportunity of having so much experience of the Civil Service—it is a rare event to have you all together here—to ask a question that Oliver Letwin asked, and that is on the policy of prisons. In spite of the efforts of government after government, over a period of 40 or 50 years, recidivism has never changed. It is exactly the same in spite of all those efforts. You could say the same about drug policy, which in fact has got worse, in spite of the huge efforts that have gone into it. It seems to be mainly because government policy has been evidence-free and prejudice-rich. Do you feel, looking back on your careers, that you would like to see a measurement of outcomes to see what failures governments have chalked up because they have been following the popular policy, the tabloid policy, rather than going ahead on intelligent, informed evidence?

Lord Wilson: I do think we are not very good at going back and seeing how successful policies were, or indeed at thinking, “What is government good at and what is government less good at?” If you want brief answers, that is where I would stand.

Q151 Kelvin Hopkins: Just a question before you go, which betrays my prejudice, the Civil Service is often portrayed as being negative and acting as a brake on what governments want to do and what radical politicians want to do. In fact, after the Second World War the Civil Service facilitated a social democratic revolution. That was tremendous and

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immensely successful; for two or three decades we had something that really worked. Since then, we have had a number of radical Prime Ministers, radical politicians with fanciful ideas, and there is a sense in which the Civil Service has been uncomfortable with all of that. I completely sympathise. To what extent have you had to bite your tongue or keep a straight face, while politicians come up with fanciful ideas that are really not going to work?

Lord Turnbull: Radicalism I have no problem with; initiative is where I think I part company with it.

Lord Armstrong: What happened after the war is an enormous subject. During the war, there was a singleness of objective and a great deal of working together, of co-operation, between the Government, the civil servants, and the politicians on the one hand and industry on the other. Not only was there a great deal of working together but a great deal of friendship and collegiality developed. The legacy of this lasted us through almost until 1970 really, but the situation since then has of course changed, because those generations have passed on.

Lord Wilson: The Civil Service has shown that it is able to manage large change repeatedly. The size of the Civil Service—from memory—between 1979 and around 1997 shrank from something like 750,000 to less than 500,000. That is a very big change. Some of that was hiving off and some of that was reduction, but we did that very quietly and it was big change. You may not agree with the privatisation programme but actually the carrying out of it was very successful and a pretty big change. The service has shown that it can adapt and do the things that Ministers want, but I go along with the comment that it is initiative, if that is the right word, which is more difficult.

Q152 Robert Halfon: I go back to my question I asked earlier: what effect will the Cabinet Manual have on ministerial responsibility for things that go wrong and Ministers resigning, as opposed to blaming it on the Civil Service?

Lord Wilson: Can I just say a word about Crichton Down? I think what Crichton Down illustrates, because it was what you mentioned, is that a Minister's ability to remain in office depends on whether he or she retains the confidence of the Back Benchers of his

Government and of the Prime Minister. That was what happened in Crichton Down. There is a lot of academic study of this. I do not think that the research bears out the statement that Ministers resign when civil servants get it wrong. I think it is about whether Ministers retain the confidence of their Back Benchers and of the Prime Minister.

Q153 Robert Halfon: Does the Cabinet Manual delineate the responsibility of the Minister to resign if things go wrong? Are there any guidelines?

Lord Wilson: The only guideline is whether a Minister retains the confidence of the Prime Minister. **Chair:** Or Parliament.

Lord Wilson: And of his Parliamentary party, the party on the benches behind him.

Lord Armstrong: If I may say so, I do not think the Manual is intended to tell you that. As I said, that would be more prescriptive than it intends to be. In that respect, I agree entirely with what Lord Wilson has said. The reasons for resignations very often are a question of whether the Minister concerned still enjoys the support of his Back Benchers. I think back to the resignation of Lord Carrington in April 1982. I do not think he had lost the confidence of his Back Benchers and I am sure he had not lost the confidence of his Prime Minister. I think he came to the conclusion that he was unable to defend himself in the House of Commons because he was a member of the House of Lords, and I suspect he thought that, because of the outbreak of the war in the Falklands and the failures particularly of his Department in the previous time, a head had to roll and his was the head that should roll. It was in that sense a very honourable resignation.

Chair: My Lords, thank you very much indeed for your time with us. We have run over time. We could have run for another hour easily. It is been absolutely fascinating and I can sense my Committee is rather frustrated. They all want to ask more questions. We may follow up in writing one or two issues, if we may. Thank you very much indeed. It has been extremely helpful to us.

Lord Armstrong: Thank you. We've enjoyed our time here.

Examination of Witnesses

Witnesses: **Ian Watmore**, Chief Operating Officer, Efficiency and Reform Group, Cabinet Office, **Sir Suma Chakrabarti KCB**, Permanent Secretary, Ministry of Justice, and **Dame Helen Ghosh DCB**, Permanent Secretary, Home Office, gave evidence.

Q154 Chair: Forgive us for keeping you waiting, but perhaps you were more in awe of our previous witnesses than we will ever be. Thank you for joining us. Could I ask you to identify each of yourselves for the record?

Dame Helen Ghosh: I am Helen Ghosh. I am the Permanent Secretary at the Home Office, where I started my role on 1 January. For five years before that, I was the Permanent Secretary at DEFRA.

Ian Watmore: I am Ian Watmore, Permanent Secretary at the Cabinet Office, currently leading on the efficiency and reform agenda across Government.

Sir Suma Chakrabarti: I am Suma Chakrabarti, Permanent Secretary at the Ministry of Justice, where I have been for three years. Before that I was for six years Permanent Secretary at the Department for International Development.

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Q155 Robert Halfon: What impact would you say the Big Society has had on the vision of the Government for the Civil Service?

Ian Watmore: The Big Society is one of several things that's changing the way the Civil Service operates. The Government has set a number of objectives for public service reform and delivery; the Big Society is one. They are currently producing a White Paper to put all that into one document, which will hopefully be published before the Budget, and it does put a profound change on the Civil Service, because it is requiring the Civil Service, as indeed you were alluding to in the last session, to work with communities at a very local level in different ways.

Q156 Robert Halfon: Can you tell us what the Big Society means as far as you understand it, each of you?

Dame Helen Ghosh: From my point of view, and I will use some DEFRA examples in particular, it means that we in government need to focus on doing the things that only government can do, and only do those things. As a Civil Service, what we need to facilitate is that, at the most local, most individual level, people both identify and solve problems in the way that they wish to solve them. For example, in DEFRA we did a great deal of work with, for example, the farming community, not from the centre instructing them in a paternalistic way on how to deal, for example, with animal diseases like bluetongue, but working with them in partnership and asking them to take the decisions. We did the things that only Government could do, in terms of rules and regulations, and they were the people identifying and dealing with the solutions to the problems.

Sir Suma Chakrabarti: Similar examples, I think: in a nutshell for us, it is about devolution of power and accountability, and local empowerment. What I think that leads up to though, with increased transparency as well, is much more local design of solutions to problems on the ground, which will mean quite interesting changes in public service. You will be able to see different performance, for example in Ministry of Justice areas, between different local criminal justice areas. It will be up to the public then to ask questions of why there is a differentiation in performance, whereas, at the moment, it is very much up to the ministry to ask those questions, so that will push power out much more.

Q157 Robert Halfon: I notice that you say it is about the devolution of power, but you do not say it is about renewing civil society, which is a core part of that. Why is that?

Sir Suma Chakrabarti: I think you are right; it is about renewing civil society. One of the things that Lord Turnbull said is absolutely fundamental to this—and it is a new task for the Civil Service, or maybe a renewed task—is to ensure civil society does have the tools to ask the questions that it needs to. That is quite a tricky balance, because the Civil Service obviously wants to help skills being developed at a local level, so they can challenge the way things are done. At the same time, it should not be suggesting the solutions,

because then that is a takeover again. Getting that balance right is going to be quite important.

Q158 Robert Halfon: In a previous article, Lord Wilson wrote that part of the problem with the Civil Service was too much centralisation by governments, making it very difficult to run the Civil Service. Do you think that the Big Society will actually help that and that power will be going outwards and downwards, which will make it easier for the Civil Service itself?

Dame Helen Ghosh: Today's crime maps are an excellent example of how we will transfer power through transparency, as Suma said. Once we have our local police and crime commissioners with an elected local mandate, the power and indeed the accountability will be transferred to them to work with local people to solve those problems. In terms of the challenge to us as civil servants—and I was very interested in what Lord Turnbull said in terms of this being part of a longer-term development—the issue for us is both learning to let go, in terms of the levers of power, moving into those different kinds of world, and learning how to facilitate and, as Suma says, helping support the capacity of local people to make decisions and form their own future.

Q159 Robert Halfon: What limits are there to the Big Society or to how power could be transferred from Whitehall to the grass roots, to communities and neighbourhoods?

Ian Watmore: I think my Minister, Francis Maude, would say that what he would like to see happening, as well as the transfer to the Big Society and localism, is a degree of centralisation of some of the core business aspects of government. I think we may have discussed in the previous session the ideas of bringing more procurement to the centre to get bigger value for the taxpayer pound that is spent. There are two things going on in parallel here: there is a lot of policy devolution to the local front line, through the ways I have just described and that were illustrated by my colleagues here, but there is a degree of getting a grip of some of the business aspects of government, on property, procurement, IT and those sorts of things, which requires a more centralist approach. He refers to that as his tight-loose framework, and I think that is probably the best description of what's going on at the moment.

Q160 Robert Halfon: If local communities do not agree with how you give them localism as such and how you are going to give them more of the powers that they are supposed to be having, what is your response to that?

Ian Watmore: In the generic case, politicians believe that people do want that ability to take control of their own lives, their family's lives and their communities around them, and that they will have the opportunity so to do. They do not expect it equally across all localities. It will move at different paces and there will be different social issues and local issues that are particularly relevant. Helen talked about the police maps today. I'm sure that's very topical. We were all Googling this morning putting our postcodes in just

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to see how many crimes there were round the corner this week. Crime in certain parts of the country has much more relevance than it does in others; poverty in certain parts of the country has more relevance than in others. I think it is about allowing the local communities to take control of the agendas that affect them the most, and fill any vacuums that the Government may have created.

Q161 Robert Halfon: Dame Helen, you made a very important point, I thought, just now about transparency equalling empowerment. Perhaps you are right, but isn't empowerment more than just having access to information?

Dame Helen Ghosh: Yes.

Robert Halfon: Because having access to information is what websites were doing five years ago. People want to be able to interact and have real ability to deal with that information. Just telling them about crime maps is good, but it is not enough.

Dame Helen Ghosh: It is not enough. I think this comes back to my earlier point that there are some things that government still needs to do and only government can do, which is to set a legislative framework within which that kind of local empowerment can happen. Specifically in that case, in a sense we have now handed out the information about crime mapping but we have not completed the picture. The completed picture is, and it is a Bill currently going through this House, to set up to allow the election of these police and crime commissioners, because that then completes the loop for local accountability to that one person.

Equally, another area where you can use data but then empower is the number of projects on community budgeting that the Department for Communities and Local Government is leading, where we are saying to local people, "Here is a set of, up until now, pretty intractable problems, whether it is re-offending or child protection. We will take away the constraints of siloed budgets and centrally set targets. You can have a budget; you can decide. Local public sector bodies will support you and give you data and then you, as a community group, can use all those tools to solve those problems in an end-to-end way." We still need to do things, whether it is positively or negatively, around regulation and legislation, and we still need to offer support, but that is part of the Civil Service role in facilitating this happening at a local level.

Q162 Charlie Elphicke: May I give you an example in terms of the impediments to building a Big Society? Let's say central Government is going to sell off an asset, be it a port in my constituency, woodland or anything like that—URENCO. The Secretary of State receives two bids: one for £25 million from a local community group; one for £30 million from a private operator, maybe from overseas. As accounting officers, would you have to advise the Secretary of State, under current guidance, to take the higher offer in money terms, or could you value in social and community value?

Ian Watmore: The specific we would have to look at, but generically you can always take a range of criteria into account when you make a recommendation. The

price or, in this case, the bid cost is always an important factor, because that is where the real money is, but you take a number of other characteristics into account in making the decision. It is perfectly reasonable for people to take a broader-based decision than purely on price.

Sir Suma Chakrabarti: Just to give you a real-life example from last year: the whole question of what size of prisons should we build: 2,500 or smaller. The larger the prison, almost certainly the unit cost would be lower. There comes a point where you actually have to ask yourself: is this managerially wise? Could we actually manage the prison well? What are the benefits as well? The benefit side of the equation also matters, not just the cost. Would reoffending rates be lower actually with a smaller prison? That's what the data shows. You take all that into account, so it is not just a cost thing that you take into account. There is an interesting point you make about the Manual, that is called the green book, which looks at cost-benefit analysis and how we do it. Whether it is still too economic a drive in the main, and whether it should take account of some other factors too, I think is a good question.

Q163 Paul Flynn: Every government comes in with an idea. It is big-ideaitis we're suffering from. We have got the Big Society now. We had the third way under Tony Blair, whatever that was, and the cones hotline under Major. It doesn't mean anything, does it, any of this? You were saying about DEFRA giving powers to farmers on the question of bluetongue. Wouldn't it have been far better if farmers were rescued from the dependency culture by taking away their subsidies, as they did in New Zealand, and given full responsibility, so giving a great deal of dynamism to the industry, which it lacks now, where it still expects handouts from national government, local government and Europe, for virtually every problem? Isn't this very unhealthy? Isn't this a very productive way of extending devolution?

Dame Helen Ghosh: On the specific issue about the common agricultural policy, the Government's policy is indeed to withdraw direct subsidies over time, and only pay farmers for producing public goods like skylarks, hedgerows, birds and those sorts of things. In terms of the issue about how one moves away from a position of dependency, in relation to any public group, I think it will change over time. Lord Turnbull was talking earlier about the revolutionary differences in terms of lots of public services, the choice that individuals have and the personal budgets that people have, which are unrecognisable from perhaps 20 years ago. A number of the initiatives that this Government is taking are just driving that same agenda faster.

Q164 Paul Flynn: What changes have you made in order of reducing costs, and what changes do you envisage being made? Do you imagine that you can keep up with the Government's expectations of cutting costs by very large amounts?

Dame Helen Ghosh: Absolutely, not least because the money has simply disappeared from our budgets. This is not a theoretical exercise, compared with what might otherwise have been; we simply do not have

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the money in our budgets. For example, we in the Home Office are working very closely with police services on how they can be more efficient, both in how they procure—doing central procurement—and in processes. We have been helping people like West Yorkshire, which has reduced the cost of dealing with small crimes by something like 85%. Again, we have worked to take burdens off police, in terms of reporting requirements, bureaucracy and the targets we set. We are confident, if we do all those things, we will be able to live within our budgets.

Q165 Paul Flynn: One of the ways of reducing costs suggested in the document, is that jobs should be moved out of London, where the work can be done for less. What was the thinking behind making the biggest cut in Passport Office jobs from an area of high unemployment in Newport, which might well swell jobs in London later on? What happened to the Government saying one thing and doing another?

Dame Helen Ghosh: As you will probably be aware, the Passport Service has a very dispersed office network, so we have a number of bases. We currently have too much capacity in the Passport Service overall, thanks to efficiency and the introduction of new technologies. We simply do not need the same amount of processing capacity. Damian Green is currently looking at the impact assessments for all the options around where we take that capacity out and has not yet reached a decision.

Q166 Paul Flynn: It just so happens that the proposal is a cut in the area that could least—it is not made evenly across the country.

Dame Helen Ghosh: We are looking at the options as to where the greatest impact and best choice are.

Q167 Paul Flynn: I hope you come around with a suitable decision and the right decision eventually. The Prime Minister told the Civil Service that he intended to stand government on its head. The only merit in this posture is money falls out of people's pockets when they are in that position. Do you really think that the savings that you have, which you say you have to make, can be done at a time when there are reforms required? Are not the aim and the cut too deep in order to preserve the quality of the service provided?

Dame Helen Ghosh: The principle on which we are all operating, and I think have to credit Suma with the first use of this phrase, is what we are aiming at is better with less. We know we will have fewer staff and less financial resource at the centre, and what we need to focus on is doing the things that really make a difference—not, as our distinguished predecessors were saying, *initiativitis*, but on the evidence-based activity that really makes a difference. That is what we are building into our programmes.

Q168 Paul Flynn: On *initiativitis*, the worst part of crime is the perception. The fear of crime is a greater cause of anxiety than the crime itself. When people go on to their websites this morning and find out their neighbours have been burgled and there are acts of vandalism in their street, isn't this going to, without

any real purpose, increase their fear of crime and their perception of crime? If they ring up the police, they're going to know that, in every other street in their area, everyone is ringing up the police saying, "Do something more in my area." Isn't this an example of *initiativitis*, of using a gimmick, a pretty vacuous gimmick, which is likely to have harmful effects?

Dame Helen Ghosh: Absolutely not. What it will do is give people accurate information, which I think we owe the public in the public sector. It will then enable them. They can click, as I am sure you have done this morning. I have clicked my postcode; I got the map of my local street crime. I was then instantaneously able to click my local police team and the earliest beat meeting, should I wish to go to it. We are even proposing beat meetings online, so you don't have to leave the comfort of your home. The reverse may also be true: that there is a lot of fear of crime where there is actually no crime. I am hoping today there are a number of your constituents who are flicking into the website and discovering that, despite their fears, actually crime is very low. That is what we're aiming at.

Paul Flynn: People are being told there are no police to cover their area, when they click in. That is not helping. It remains to be seen. This sounds just about as productive as the cones hotline was. I think in future we'll see this as being a mere gimmick.

Chair: I don't think that last point was a question.

Q169 Kelvin Hopkins: Two very key points: you are obviously an enthusiast for devolving to community groups. First of all, I am not quite sure who these community groups are. They seem a very vague concept. In my own local area, I would be very dubious about devolving anything to some of them, because of capability and so on. The other point is that they are not accountable. The obvious group to whom to devolve things would be local authorities, because they are democratically accountable; somebody can be held to account if things go wrong. You know that there will be standards of financial management and that sort of thing. The other point is even more worrying: you seem to marginalise the concept of equity. Most of my electors want fairness; they want to feel they're being treated the same as other people. Yet one of your comments suggests we are not about equity. Is that not really fundamental in democratic society?

Dame Helen Ghosh: I believe that the Prime Minister himself has said, recognising this point about difference in the capacity of local groups to respond to the Big Society agenda, that we still need a significant amount of support. The Office for Civil Society, which Ian knows more about than I do, will be offering that kind of support, both in terms of financial support and capacity building support. I very much recognise Lord Turnbull's comments, because I was one of the people, probably when he was my permanent secretary, working with local community groups out in east London, and indeed had to learn the set of skills that he described. I absolutely agree with your point that the problem is making sure that you know who really represents the community, as opposed to the people who claim that they represent

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the community. There is a lot of experience. Working with local authorities, tenants associations and genuinely representative groups, I think it is possible to identify and listen to the voices of the invisible people. I know the Office for Civil Society is focusing on this.

Ian Watmore: Yes, indeed. Two thoughts: one is that the Office for Civil Society is trying to help the charitable sector through what are difficult times, and we had a meeting last week with several leaders of the big charities talking about the capacity of the system and how we can grow that more broadly to take up the challenge that has been laid out. The second thing is the promotion of other forms of enterprise to take out roles locally—social enterprise, mutuals, spin-outs from government, that kind of thing, because the Big Society in a local setting is not just charities; it is a combination of bodies that we want to promote, and that's what the office is pushing as we speak.

Sir Suma Chakrabarti: This question of equity and accountability is an important one to have a good discussion about. The PAC is also on the same issue at the moment. Take youth justice, which is a very localised approach with partnerships at the local level. Already you have quite a bit of variation in terms of performance and in terms of the tools that different youth offending teams use. At the moment, what happens is the centre—we are the centre, the Youth Justice Board—essentially tries to get equalised approaches. With this new approach, we would be looking much more to the local authorities, which provide 51% of the money for youth justice, to take much more of the leadership in this, and that would have to be right. You have to think about what is the right unit for accountability and, in some cases, it will be local authorities. In some cases it will be below that. It depends on the issue, I think, and how many things you have to join up. In the case of youth justice, you are having to join up a whole range of services and local authorities, which makes a lot of sense.

Q170 Kelvin Hopkins: Community groups give voice to concerns, but their ability to manage large budgets, employ people and all of that, is something that must be questioned, especially if they are not democratically accountable.

Sir Suma Chakrabarti: Helen has more direct on-the-ground experience of this but, in the old regeneration programmes, this was a standard issue—the capability of many groups to manage not just budgets, but express what they wanted in a way that joined up all the various elements. There was a lot of capacity building at the time, and some of that we have to return to.

Dame Helen Ghosh: Indeed and, in those sorts of cases, what government did do, or what the public sector did do, was put the money in to employ someone who was capable, in terms of just organising the project, managing the project, doing all the things that Suma described. In the Big Society model, government at some level will continue to do that and it is important that it should.

Q171 Chair: Could we briefly talk about what you are each doing in your Departments, first of all about the Transforming Justice programme. This is primarily about getting £2 billion of savings, isn't it?

Sir Suma Chakrabarti: Actually, it started before we knew what the target was for savings.

Chair: But you guessed.

Sir Suma Chakrabarti: No, we started this in February 2009. There was a different Government in place at the time. We were lucky enough to have, in Jack Straw, someone who did think, whether he was in power or the Opposition came to power, that there should be a programme of reform that should be worked through.

Q172 Chair: You have 197 initiatives, but there does not appear to be an overarching strategy.

Sir Suma Chakrabarti: If that is how you read it. It is not how the Institute for Government, which is formally evaluating this programme, reads it. They have given us a very positive evaluation. There are seven programmes, essentially. It is a mixture of things. There is some policy reform, quite clearly, which we have been working on for 18 months. Those have been announced: sentencing, rehabilitation but also legal aid. Then there is a mix of change management reforms. When the Ministry of Justice was created, we had all these different arm's length bodies, all with their own back office functions, very much replicating each other. One of the things we are trying to do is have a shared service across all the ministry's bodies. In fact, Newport is a major winner out of all this for us, because we already have a shared service centre there and it will grow because of this. The Home Office already purchases its services from it. There is quite a lot of change management as well as policy reform, as part of this.

Q173 Chair: Is this incremental reform?

Sir Suma Chakrabarti: I am afraid it is not. Given the profile of the cuts, it cannot be. It is £500 million a year from our budget. The policy reforms have to go through Parliament of course. They will not really give us the savings until years 3 and 4. The first half of the reforms are actually very big changes in processes, structures and so on, which I described.

Q174 Chair: Forgive me, but I am reliably informed that the IfG evaluation highlights the concern that no overarching strategy for Transforming Justice has yet been produced, but you would dispute that.

Sir Suma Chakrabarti: I would dispute that because this was the review they did, I think, back in May last year. Then they invited me and Ken Clarke to come and give a seminar for other civil servants to hear about our experience. It is somewhat odd because they are actually highlighting it. I do believe Mr Julian McCrae was in front of you highlighting MoJ. I seem to have read the transcript, I think.

Q175 Chair: I am glad you put that on the record. Thank you. Do you think there's a trade-off? What we are concerned about here is the capacity of the Civil Service to implement change and to change itself at the same time. Do you think there's a trade-off

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between doing things quickly and decisively, and incrementally?

Sir Suma Chakrabarti: There is a risk, which I think we all need to be honest about, which is that you are running massive organisations that have to still keep performing while you are trying to change them as well. In our case, prisons, probations and courts still have to be run effectively. At the same time, we are trying to change the way they are run. There is always the risk that the business as usual will suffer as part of this, and you have got to make sure you keep the right skills to keep the business going, as well as getting enough change management into your top teams. That is the sort of management objective that all of us are facing at the moment.

Q176 Greg Mulholland: I would like to ask Dame Helen Ghosh about Renew DEFRA. Do you think it is fair to say that it was a success, or largely a success? How actually has the impact of the programme been measured and what are the lasting effects for the Department?

Dame Helen Ghosh: The Renew programme in DEFRA was one that I introduced in 2006, coincidentally with a capability review, which fortunately pointed in the same direction. It was essentially doing two things: trying to get our basic systems better, sorting out our financial management systems and our HR processes, but more importantly, making us more flexible to changing priorities and requirements of Ministers. What we introduced was a system for the headquarters department, about 2,500 of us, to organise ourselves around projects and programmes. Rather than having a business plan with lots of teams and tasks under teams, we had a set of 10 high-level programmes for the Department, each of which were organised with sub-projects with a beginning, middle and end, and with project managers and senior responsible officers. We moved staff around using a flexible staff resourcing tool that is very similar to what you see in professional services organisations.

All of this meant that, by the time we had our 2008 capability review, we were one of the next most improved Departments—after the Home Office, which was the most improved, thanks to my predecessor's work—and we got plaudits and continue to get from the Treasury, in terms of good financial management and moving our money and our people around in response to changed needs. That meant for us that, when it came to things like the SR10, we were in a very good place, we knew where our money went and we could respond quickly to the needs of the new Government coming in. I know that the team there will be using the model even more to deliver these kinds of efficiencies. I think it worked for us, and other bits of Government are imitating some of that, organising themselves around projects and programmes. Indeed, Ian is.

Ian Watmore: We are doing that in the Cabinet Office. In a rare piece of joined-upness, I have borrowed Helen's change manager to come and do the job for me, so that is taking the lessons that she has learned through to the Cabinet Office. I think a lot of the Cabinet Office's work lends itself to that sort of

project/programme style of working. We are learning a lot from what Helen's already gone through.

Q177 Greg Mulholland: Considering the Home Office was described not so very long ago as not being fit for purpose by a senior Minister, how do you think the scale of the challenge is at the Home Office, compared to those that you faced back in 2006 with DEFRA?

Dame Helen Ghosh: I have been very lucky in that David Normington had been doing a lot of work since. In terms of things like the financial management of the Department, the basic HR systems and the quality of the top team, he has absolutely transformed it, and we now rate among the very highest in Government, from people like the NAO and the Treasury, on things like financial management and risk management. Equally in places like the UK Border Agency, which Lin Homer led until recently, there are still significant challenges in such a complex operation, but looking at things like the handling of asylum cases, dealing with backlogs and the general efficiency with which they deal with cases, they have come on a million miles. I am very lucky that I can take that on and forwards now.

Q178 Greg Mulholland: Are there specific policy or organisational issues that you could identify that are going to be a particular problem for the efficiency changes and reforms that I think everyone acknowledges need to happen?

Dame Helen Ghosh: The Home Office is an interesting Department. This comes back to some of the discussion we were having earlier. It is easy to focus entirely on the new agenda—the localism, the Big Society, post-bureaucratic age agenda. There are still a lot of things that a Department like the Home Office will do centrally: it will still have a major responsibility for things like serious organised crime, counter-terrorism, a lot of the immigration and nationality stuff. They will be central Government activities, and we need to make sure those are carried out as efficiently and effectively as they possibly can be. Some of that will require pretty traditional Civil Service skills. I think I have four Bills going through the House in the course of this year, which require a lot of those traditional skills about policy making, evidence-based and dealing with Parliament, all of that kind of stuff. I need to make sure I retain those skills. Equally, I need really good change managers, both to support and facilitate people like the police with their efficiency, but equally the big change programmes in places like UKBA to introduce e-borders systems and new IT for casework. I have a complicated mix of change management skills that I need and facilitation skills, and then some of these very traditional skills that the Civil Service has always had.

Q179 Greg Mulholland: What about a specific question? Do you think locally elected police commissioners make it harder to achieve the efficiency savings, because they will need to be supported at a local level, or will there be savings to compensate?

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Dame Helen Ghosh: Going back to the discussion we were having earlier, there is no new money beyond the budgets I already have for local police and crime commissioners. We will be living within our budgets while delivering local police and crime commissioners. The only additional cost around police and crime commissioners is effectively the cost of the elections.

Q180 Greg Mulholland: What about the cost of supporting them?

Dame Helen Ghosh: That would be expected to be found from within the existing cost, for example, of supporting the existing police authorities.

Q181 Chair: On this question of cost reductions, obviously they are very brutal reductions in both your Departments and, indeed, in the Cabinet Office. One of our witnesses, Professor Kakabadse, says in a supplementary memorandum to us, "More worrying is the current debate on cutting of costs without deliberately focusing on where fat lies, and what is lean and should be protected." Is that a concern you share as you implement these cuts?

Ian Watmore: I would perhaps challenge the assertion with the professor, whom I have not spoken to. If that is what he said, I would challenge that, because the whole point of setting up the efficiency and reform group in the Cabinet Office and the Treasury was to tackle the areas that people regard as waste or fat or any other words. For example, we have property that we do not need around the country. If we can get hold of all the leases of all the properties that we have and gradually release them as they become due, and do different deals with landlords and so on, that is a way of reducing cost that has no direct impact on the frontline services. Similarly on the procurement agenda, if we can purchase goods and services more cheaply than we were previously, that is a saving that does not impact the front line. There is a lot of work going on to try to find those savings. We have already this year—these are unaudited figures, but they are what we count—achieved £2 billion of savings just from that alone in the last few months. We expect to achieve over £3 billion this year, and that is even before the CSR started. These are savings that are designed to protect frontline services or protect the critical budgets that might go into critical national infrastructure and defence budgets.

Q182 Chair: Do you all share that view?

Sir Suma Chakrabarti: I do. We have the same agenda as Ian on estates and everything else. The one additional point I would make is it is also very important to match demand to supply. That does reshape some front-line services. Why are we closing 141 courts? It is because they're very under-utilised. There is not enough demand for them, so there will be some reshaping of services accordingly. The prison population is not rising as fast as it used to and that is allowing us to decommission some prison places as well, some of the more expensive parts of the estate. That is also sensible at the same time.

Q183 Chair: On this question of decentralisation and depending far more on the ability of officials right down the food chain to take decisions and act autonomously, do you agree that this is going to require quite a substantial retraining and re-education of parts of the Civil Service in order to do this?

Ian Watmore: I think we do, very much so. To give you a very good example of that, in order to bring about the local, Big Society type options we have talked about, we need people at the front line who are very good commissioners of those services.

Chair: The fourth capability?

Ian Watmore: Yes, exactly. I thought that was a great point that came out of the earlier discussion. Commissioning is not procurement. What we will always be in danger of is saying, "Yes, we need commissioning," and then at the local level recreating a sort of procurement process that might have been designed for an aircraft carrier, whereas what we really want to be able to do is get people to commission services and outcomes from people, in a quick, short, sharp way with minimal bureaucracy and minimal overhead from the local community providers. That is a change of skill that we have to lead.

Q184 Chair: Are you able to protect training budgets and, indeed, enhance training budgets? If this is, say, a three-year change programme, it is been remarked to us that an organisation the size of the Civil Service would need to spend millions and millions of pounds on training in order to effect this change programme. Do you have that money in your budgets?

Ian Watmore: We have. I think the important point that we are all wrestling with in Departments is not just preserving a budget but spending it wisely. There is a lot of focus going into developing both the training and the culture change that goes with all of this in ways that are futures-focused and not the way it was in the past, which means creating different training programmes. As a group of permanent secretaries, we have launched a new approach to HR across the Civil Service from April, one theme of which is to get a new approach to Civil Service learning that is targeted on all these sorts of skills.

Q185 Chair: This is such a central part of the programme, I wonder if you could do us a note on behalf of all Departments about what is being spent on training and how that is being spent in order to effect this delegation and decentralisation. That would be extremely useful.

Ian Watmore: Absolutely, that would be fine.

Q186 Paul Flynn: Are the roles of your Departmental boards supervisory or advisory?

Ian Watmore: They are both.

Dame Helen Ghosh: They are both.

Ian Watmore: Lord Browne has been very clear on that in all his answers.

Q187 Paul Flynn: Where does the supervisory part come in?

Ian Watmore: In terms of the board as a whole, which is a mixture of Ministers, non-exec directors and civil

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servants, we are supervising the work of the Department which, if it is a small Department, might be very direct but, if it is a very large Department, could be very devolved and very diffuse. That is definitely part of the supervisory function. The advisory, which is where people focus on the non-executive director community, one of the things we are looking to them for is advice from their backgrounds that we can take advantage of. It will be balanced with an awareness that it is not always like that in the public sector compared to the private sector. We have that discussion a lot.

Q188 Paul Flynn: Many of these non-executive directors are GOATS—Herd 2—coming on to provide their wisdom. There is an interesting suggestion from the Institute of Directors, that the leading non-executive director should have responsibility for doing assessments for other members of the board and presumably on yourselves and the political people involved. Is this an idea you have enthusiasm for?

Ian Watmore: Not as you have described it, I have to say. The idea that we do have enthusiasm for is for the board to be self-critical in terms of the way it operates and the way the Department operates. Lord Browne and the lead non-exec directors will play a pivotal role in that, but the fundamental accountabilities do not really change between the permanent secretary accounting officer role and the Secretary of State role for looking after the Department. That is the bit that is not changing, so this is supplementing those roles, not changing them.

Q189 Paul Flynn: You say that you are future-focused. I cannot recall any politician coming along and saying they were focused on the past. Is it just a question of new government, new jargon?

Ian Watmore: Apart from back to basics, maybe. What I mean by that is that the training programmes that are set up in a government, or any organisation, often reflect the skills you did want to have. When you need new skills, such as we were talking about with the commissioning, then obviously you need to devise different programmes to make sure of that. Just sending people on training courses is not enough. They've got to be relevant to the work they are going to do and they have to be part of a broader change. That was the only point I was making.

Paul Flynn: That is not exactly a staggering new idea, I don't think, but I am grateful for it.

Q190 Chair: Is there a tension between accountability to a board and accountability to Parliament?

Ian Watmore: The interesting difference from business, which I have experienced, is the accountability to Parliament is different. It is not something that business people are used to. They are used to being accountable to their shareholders, their partnership structures or whatever their legal ownership is. Parliament and Ministers introduce a different dynamic to it. Certainly for those of us who cross the boundary from private sector to public sector, it is new and it is different. Having been here six or seven years now, I think what we ought to be

able to do is use the boards to focus on areas that we perhaps have not been focusing on, but I do not see it changing the relationship between the primary officers, whether they be elected or unelected, and Committees such as this one, which I think play a vital role.

Sir Suma Chakrabarti: Can I give you an example that goes to the heart of it? As accounting officers, we are obviously accountable to Parliament for financial management and so on. I had to take a direction from Jack Straw, when he was Secretary of State, on a particular item of expenditure. I tried to replay in my mind, with the new board, whether that would have been different. I do not think it would have been. The debate would have been widened, in terms of other Ministers and non-execs all taking part in it, because the issue would have gone to the board, I think, because it was a large investment. At the end of the day, I still have my accounting officer responsibilities. Even if the board decided that this had to go ahead, I still had the right as accounting officer to ask for a direction and I still would have done, so I do not think that changes actually.

Dame Helen Ghosh: I have an example similarly where I asked for a direction and got a direction, but again it was a classic instance of having to make a very quick decision, in talking to my Secretary of State, then Hilary Benn, about a financial decision, and that was the basis on which, in the space of about an hour, we had to take a decision that wouldn't have gone anywhere near a board. Again, these are circumstances that could arise in the future. I don't think it will change those fundamental accountabilities. It will enrich the debate. Having very experienced powerful non-executives on an advisory and supervisory board will enrich the debate around things like, is this delivery, timetable and scope of the thing you are trying to deliver realistic? That kind of input from some experienced non-executives will be terrific in terms of successful change programmes and growing our skills as civil servants. We can learn a lot from them, so I think it is a very rich prospect, myself.

Q191 Chair: You do not anticipate a situation where something controversial occurs and the permanent secretary tells the Select Committee, "Well, that's what the board decided. That's why we did that."

Dame Helen Ghosh: No, because the board will not be the decision-making body. This is back to Ian's point. It is the Secretary of State, under their statutory authority, who makes the decisions. The position will be exactly as it is now. You could summon me to talk about how the decision was implemented, the financial implications of it and so on but, if you wanted to talk about why the decision was taken, it would be for the Secretary of State to come.

Q192 Chair: These boards do not actually have fiduciary responsibilities?

Dame Helen Ghosh: No.

Ian Watmore: Not in the way you would expect them to have in the private sector, no.

Q193 Chair: They are advisory boards.

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Dame Helen Ghosh: And supervisory of our performance, yes.

Chair: If there are no other questions, that has been an extremely useful session. I am sorry it was a little curtailed, but we had a very high-value morning.

Ian Watmore: Never apologise. It was very interesting to hear the other witnesses as well. I think we enjoyed it in the back row as well.

Chair: It was a privilege to be in the same room as them, wasn't it? Thank you, too, for very helpful evidence and we look forward to that extra memorandum from you, Mr Watmore.

Thursday 3 March 2011

Members present:

Mr Bernard Jenkin (Chair)

Charlie Elphicke
Paul Flynn

Robert Halfon
Kelvin Hopkins

Examination of Witnesses

Witnesses: **Rt Hon Francis Maude MP**, Minister for the Cabinet Office, **Sir Gus O'Donnell KCB**, Secretary to the Cabinet and Head of the Home Civil Service, and **Ian Watmore**, Chief Operating Officer, Efficiency and Reform Group, Cabinet Office, gave evidence.

Q194 Chair: Good morning and welcome to this session on the reform of the Civil Service and the principles of good governance. I wonder if for the record you could just confirm who you are, please.

Francis Maude: I am Francis Maude; I am Minister for the Cabinet Office.

Sir Gus O'Donnell: I am Gus O'Donnell, Cabinet Secretary and Head of the Civil Service.

Ian Watmore: Ian Watmore from the Cabinet Office.

Q195 Robert Halfon: Good morning. Can I ask you, Mr Maude, if you think that Civil Service Live is value for money?

Francis Maude: My understanding is it does not cost the Civil Service anything to run, because I think it is provided outside, isn't that right?

Gus O'Donnell: That is right. It is covered by, particularly, Dods, but a number of other groups get involved in it, and it is a way for us to get civil servants of all different grade ranges together, particularly with the change of Government; it was particularly useful this time for them to hear particular messages from the new Government, including from the Minister.

Francis Maude: Yes, I actually had in the course of—what was it? Two days? Three days?

Gus O'Donnell: Three days.

Francis Maude: I was able to—and I did two visits—talk to the senior 200 all gathered in one place, all the heads of communication, the senior communication people. I did four things altogether and from my point of view it was very efficient to have a lot of officials from all over the country in the same place at the same time.

Gus O'Donnell: It might well have cost us more money, because we used it also to have all of the SCS together for different departments on different days—

Chair: SCS?

Sir Gus O'Donnell: The Senior Civil Service from different departments, put them all together in one place. So, normally we might have had to hire some outside venues, but since we had a venue provided free for us this was incredibly good value for money.

Q196 Charlie Elphicke: Why do you think that people like Dods would want to sponsor an event that they could have nothing to gain out of?

Sir Gus O'Donnell: Dods are behind the newspaper *Civil Service World*. I think what they want is they provide those handbooks, which I think are just

generally useful information, and they are prepared to do this for their business.

Q197 Robert Halfon: How many civil servants actually attend Civil Service Live on average every year?

Sir Gus O'Donnell: It varies, but it is in the thousands.

Q198 Robert Halfon: And have you done a cost-benefit analysis of their attendance at the conference compared with their being at their various posts?

Sir Gus O'Donnell: It is fantastically useful, at a time when we are not doing much formal paid training development. We do not pay for any speakers. They get to hear Ministers directly telling them what the new priorities are. With a change of Government, this is fantastically useful. The message I have been trying to get across to them for some time now is to be more innovative in the way they do things, and that could not have been better timed—we have been doing this for a while now—to get them thinking about “better for less” and how to manage in a situation where we are doing deficit reduction. I think this is incredibly good value for money.

Francis Maude: Just to make a couple of points: this is not a glamorous event. This was held in Olympia. This is not a sort of high-gloss, lots of bells and whistles event. The second point is: I know of no organisation that I have ever been involved with that does not seek to get people together offsite from time to time and generally much more expensively than this, and there is value in it.

Q199 Robert Halfon: Going back to Civil Service Live, when you were there Minister, you described the vision of the Civil Service in 2020. Have you got a blueprint to get you there?

Francis Maude: No, because the Civil Service is a very dispersed organisation. It is going through intense change at the moment—downsizing very significantly. The Civil Service will absolutely, inevitably become much smaller, flatter, less hierarchical. It should do. I think the professional streams in the Civil Service, which are stronger than they were when I was last around in Government 20 years ago—when finance directors tended to be generalists, HR directors, likewise—are all much more professional streams now. They do not always get accorded the status and the authority that they need within organisations. Finance directors in a

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Government department will typically not have the same kind of clout that a CFO would expect to have in a private company and that, I think, is a reform that is needed.

I would like to see the Senior Civil Service managed in a more centralised way—to be a much more sort of fungible resource across the whole of Government. We are looking actually at ways of making the Fast Stream more interchangeable between different departments at the moment. The brightest graduates come in as Fast Stream graduates and they get plonked in a department—not quite randomly; that would be overstating it—in a not very scientific way, and then tend to stay there for life and I think there is huge value in having them much more interchangeable.

Q200 Chair: This is quite a dramatic change we are trying to implement in Civil Service culture, isn't it?

Francis Maude: I think a lot of it is driven by necessity.

Q201 Chair: Maybe, but we are looking for quite a big cultural change?

Francis Maude: Yes.

Q202 Chair: This will be the first time that anybody has tried to reform the Civil Service without publishing a White Paper or a document, somehow, to scope and to lead that change. How is it going to happen? Or is it just something you do to the Civil Service?

Francis Maude: A lot of this is just common sense. I mean, this is not revolutionary. Gus and his predecessors have been valiantly trying to drive reform, and successfully in many respects, particularly in relation to the professionalisation of those streams, but the circumstances we are faced with, with a need to cut spending dramatically in a way that no Government has had to do—or no Government has done since the 1920s—imposes a pretty rigorous discipline.

Q203 Chair: But what exactly is meant to happen?

Francis Maude: What do you mean what is meant to happen? In what respect?

Q204 Chair: You talked about less hierarchical. Your speech said, "Modern and flexible, high performing, less hierarchical and more innovative".

Francis Maude: Okay, well why not get Ian to talk a little about how he is organising the Efficiency and Reform Group, where we brought together in one place the functions in central Government which are about procurement, technology—if I was being mildly self-deprecating, it is, as it were, the unglamorous, dull part of managing the overhead, which is incredibly important but does not rate highly in the glamour stakes—property, projects, Civil Service management—all that in one place, but Ian is organising that in a very different way.

Q205 Chair: I hope you will forgive me; we appreciate that that work is going on and it is very valuable—

Francis Maude: No, but culturally it is actually a really good exemplar of how one might do things in the future.

Ian Watmore: Just a couple of comments; I will try and be brief for you. One of the issues with the way the Civil Service is structured is it is very much in teams, where all the communication is up and down the team. Very few business problems that we tackle are actually the problems of one team, so we are trying to organise all of the people much more like a professional services organisation, where they are assigned to work on projects around key issues. If you are a director of one of my teams you do not have people that are permanently assigned to you; you ask for the people to work on key projects and they come from a variety of disciplines. So, it is a very different operating model for how the centre of Government can work, and through that you get a culture change that I think is behind your question. The other comment that I would make is, in terms of White Papers and so on, there is a White Paper coming out in the near-ish future—I do not know the exact date—on public service reform, within which there will be aspects of Civil Service reform and we have a job advertisement out at the moment for a director general—so the second highest level of the Senior Civil Service—to lead on that particular area, working to the three of us, in effect, on the cross-cutting role across Government.

Q206 Chair: So he will be obviously in charge of the change programme?

Francis Maude: He or she.

Chair: He or she, of course.

Ian Watmore: In charge of reforming the Civil Service to support the wider public service reform agenda that the Government is publishing.

Q207 Robert Halfon: How will you make certain that when you reform the Civil Service you won't encounter the same obstacles from Sir Humphrey as happened to previous Governments? Perhaps I can ask Sir Humphrey himself.

Sir Gus O'Donnell: Give me a break. Francis was talking about the changes that have happened in the Civil Service. When I joined in 1979 there was a Sir Humphrey element to it. I looked up and I saw all male permanent secretaries; there were no professionally qualified finance directors. You ended up in HR if you could not do policy. People that did operational work were third-class citizens; they were not even second-class citizens. That has changed radically and I think that we are changing that world where people who do operational issues are really given equality of esteem. Those things have changed. We care enormously about having professionally qualified finance directors. I always wonder why the FTSE 100 does not insist on professionally qualified finance directors, but they do not, so there we are. So, I think there are big things.

On the culture that will change, if we look to the future, as the Minister said, one of the interesting things we have now is a really new challenge of cutting back—most departments will be cutting back by about a third. This is about managing change well.

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Now, our staff surveys tell us this is not one of our strengths, and I think what we need now is to prove, as a modern Civil Service, not just that we do the policy stuff but we can actually manage change well. This is our great opportunity and I think I have examples from places I have visited around the country where decisions made by the Minister, for example on stopping marketing spend—we just stopped marketing spend; that meant that we had some compulsory redundancies in places like COI—meant that people had to innovate.

I went down to see the Patent Office. They have to tell small businesses how to protect their intellectual property; they were doing this through marketing spends, through some consultants. No consultants, no marketing spend; they innovated, and they found incredibly clever ways of doing it. It comes back to your point about Civil Service Live. They remembered about things like *Dragons' Den*; they got links into those websites and suddenly entrepreneurs with new ideas that were looking to get on to programmes like *Dragons' Den* found out about ways of protecting their property. It did not cost us. It was much more effective. So, it was a classic example of better for less.

What the deficit reductions are doing is empowering civil servants—because a) there are not so many consultants around, and b) they have to think of ways of doing things without spending money—to be more innovative, and I think that is very invigorating to the Civil Service. I think this is our chance to get that thing that has been persistently a problem for us, which is our staff do not think we manage change well.

Q208 Chair: How do you communicate to staff that they are allowed to be more innovative when it has not been their habit in the past?

Francis Maude: It is a great question.

Sir Gus O'Donnell: Civil Service Live was one of the best ways.

Francis Maude: Yes. But it is a great question, actually, and we gave evidence to the Public Accounts Committee a month or so ago and I think, actually, we raised that question. In a way, Government tends to be quite prone to take huge macro risks, but then at working level, at micro level, to be very risk averse and hostile to innovation. You do not often hear of someone's career suffering because they preside over an inefficient *status quo*, but try something new that does not work and that can blot your copybook big time. Good organisations learn as much from the things that are tried and do not work as from the things that are tried and do work. You need to have a culture—we do not have this yet—where people are encouraged to try new things in a sensible, controlled way; front up if they have not worked—not have a culture that assumes every failure is culpable, and for every failure there has to be a scapegoat—but actually make sure that if something is tried and does not work: 1) you stop doing it; and 2) you learn from the things that have been tried and what the lessons are. I do not think we are good at that at this stage and I think, if I could also just finish the point, part of the reason for that is the sort of audit culture, where

everything has to be accounted for to the *n*th degree and I think we waste a huge amount of time and effort in stopping bad things happening and the result is we stop huge amounts of potentially good things happening as well.

Q209 Robert Halfon: Some critics, like Reform, say that you are not prepared to carry out the radical decentralisation in Whitehall and actually really radically reform the Civil Service to decentralise power. They say that the last Government had plans, whilst albeit not implementing them, whereas you have no plans.

Francis Maude: Your question, Chairman, about have we got a great White Paper and a blueprint and a plan—and I think the point has been made that there has been a series of plans and blueprints and reports and White Papers over the years, but actually not all that much changes dramatically. The rhetoric has often outstripped the delivery. I am more interested in us doing stuff. Just in terms of the Reform proposals, Reform suggested a number of things, one of which was to make it much more political and that is a major constitutional change: to be much more American, the whole top tier swept away, replaced by political appointees. Of course there is an argument for that, but it is a massive change—a massive constitutional change. I actually, being blunt about it, think the basis for the Northcote-Trevelyan reforms, the principles, remain correct. I think having a Civil Service that is politically impartial is good, which does not mean they are not allowed to be enthusiastic about what the Government has done—in fact they are expected to be enthusiastic about what the Government is doing, because they are the instruments of doing it. But I think the principles are right.

Q210 Robert Halfon: Dare I say it though, do you have any milestones, to use that famous term, of actual reform if you do not have any plans?

Francis Maude: Well, I come back to your point about decentralisation. We are doing something quite dramatically different, which is what I call the loose-tight balance, where in any big, complex, dispersed organisation, like a multinational corporation or a Government, there are some things you expect to control pretty tightly from the centre. Those would be strategy; strategic communications; cash; headcount—because, particularly in the public sector headcount is a seriously fixed cost; the big projects that carry operational, financial, reputational risk; commodity procurement; goods and services where using the scale of Government you can drive down price dramatically—

Q211 Chair: I do think we really do appreciate this but—

Francis Maude: Just to make the point about the decentralisation, there are some things we are centralising and that is a big culture change and it is being effective and it is working. As a result of what we have done just in this financial year alone, we will have saved, we expect, in the region of £3 billion.

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Q212 Chair: But it is very noticeable that what you are centralising is much more particular and defined than what you are trying to decentralise. We have speeches and evidence to Select Committees, but I think we look forward to this White Paper, which will set some milestones about how you are going to decentralise and how you are going to change the culture, because I think that is what is required.

Francis Maude: I sense a craving to have a plan and—

Q213 Chair: Yes, and no big organisation manages a change programme without a plan.

Francis Maude: If you are talking about decentralising, one of the things that we are encouraging, for example, is the creation of mutuals; groups of public sector workers coming together to form cooperatives, spin themselves out of the public sector but to deliver the services—massive decentralisation. I would recommend, with the interest this Committee has, going and visiting some of these mutuals because the way in which they operate, the same people with the same financial incentives, pursuing the same vocation—they do things fantastically differently.

Q214 Chair: If your plan is to develop supreme examples and really good examples of decentralisation and innovative ways of doing things, well then set that out, because having a plan is an act of leadership and without an act of leadership there won't be change.

Francis Maude: Well, we are doing these things. These things are happening. When we started talking about how we are going to support mutuals, the first response was: "Well, we need to have a plan, a programme, and devise rights and systems and processes." And when I reflected on that, I thought, "I could not think of a better way of killing the idea dead."

Q215 Chair: That may well be true, but that is not an argument against having a plan.

Francis Maude: Well no, it is, actually. The right approach is to find people who want to do this and support them, and as they try and set up their cooperatives and mutuals find out what the blocks are.

Q216 Chair: If that is your plan, set it out.

Francis Maude: We have done. But that does not have to be a White Paper and—

Ian Watmore: There is no shortage of plans out there. When the Government came in, it laid out its structural reform plans for each department. The White Paper is a unifying document and additive to that. We have these roadmaps that we follow every month with these structural reform plan, business plan, milestones on them. The Government has already set out its big decentralisation policies about health and education and criminal justice and all of these things. What we are now bringing together in the White Paper is not just those things but the other things that need to happen as well, in exactly the same way as the Minister has just described. I believe mutualisation will be a big part of that and it will

enable the Government to deliver on the reforms that it has already set out and it will trigger new reforms as people come up with more innovative ideas at the front line.

Sir Gus O'Donnell: Could I just add to that? Chairman, you said that without a plan, change will not happen. In a sense, change is already happening. If you look at the size of the Civil Service, that is already falling; we have programmes to do the things about restructuring departments, reducing numbers, saving money. They are already partially implemented across a number of different departments. That process is already happening; you can see it in the numbers. The number of civil servants is declining and will carry on declining for quite some time.

Q217 Kelvin Hopkins: Much of what I have heard so far sounds splendid, carrying on the Northcote-Trevelyan, Haldane, even Fulton perhaps, tradition; more professionalisation of the Senior Civil Service; getting rid of marketing, i.e. the spin machine, which was so much a feature of, shall we say, New Labour; I am a Labour member, not New Labour, I may say. It all sounds splendid. But when we get to decentralisation we have a phrase from the Prime Minister, who wants to "turn Government on its head" and give power to the people. Sounds like the Tooting Popular Front, but I am not convinced by that yet; I cannot see how that is going to happen. Who are "the people" if they are not the elected local authorities, elected central Government, the Civil Service, which is accountable—who are "the people"? We have heard mutuals as one possibility. Is it not going to finish up with schools, for example, being handed over to small numbers of middle class activists in some areas, to private companies in others? We will lose accountability for education standards, we will lose accountability for public money and in the end it will descend into chaos and we will have to do something about it. Isn't that what is going to happen?

Francis Maude: I do not think it will be chaos, but I do not think it will be very tidy either, and, again, there is always a craving for things to be administratively tidy and conform to some textbook diagram and I do not think this will. This will be quite untidy and quite different patterns in different places. But to take your example of schools, the power rests with parents choosing where to send their children and exercising that power on the basis of good information, accountability for standards and the way that public money is spent. All of these schools, whether they are set up and run by groups of parents, by not-for-profit organisations or whatever they may be—the proposal we have for breaking up public sector monopolies in so many areas very much does draw, and this will not commend itself to you, I know, on the endeavours of the Blair Government, who wanted to erode the power, the stranglehold, I think is the way he might have put it, of the big monolithic public sector monopolies. The accountability for standards and for public money will come through the fact that all these schools will be inspected and inspected rigorously and in, frankly, I hope, a rather less tick-box kind of way than they tend to be at the moment.

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Q218 Kelvin Hopkins: At the moment, as of yesterday, in London, something like a third of all youngsters are not going to get their first choice of school anyway, and quite a few are not going to get a school at all, as it stands, because the state has not provided enough places. In the end it is the state that is responsible, and the state should be accountable for providing sufficient places and for funding them.

Francis Maude: That is why we are saying that rather than spending money going around the country refurbishing and rebuilding existing schools, it would be better to have the money available for building and creating new schools, because of exactly the point you raise, that the dogma has been for a long time, "We must reduce surplus school places because it is inefficient to have surplus places." The truth is, if there is not any slack in the system, you are quite right—choice becomes constrained.

Chair: I do not want to get too bogged down in education.

Q219 Kelvin Hopkins: But looking at other policies, other countries, they depend very heavily on the state bureaucracy, if you like. L'Etat, in France, the Préfecture system, is very much a state system that seems to work very well, and you have got Belgium, where at the moment they have no politicians at all operating things, but the state seems to work quite well because they have kept the bureaucracy. If you get rid of the bureaucracy and damage that, wouldn't we have serious problems?

Chair: I do not think Belgium is a great example we wish to follow at the moment.

Charlie Elphicke: Exactly.

Chair: The problems of coalition Government.

Francis Maude: It makes ours look like a miracle of speedy and effective formation, which it was actually—he says hastily. But you are right—education, you can have two models. You can have the French, totally dirigiste, so that every 13-year-old at 11 o'clock on Tuesday is opening the same page of the same maths book. That is one way of doing it. Last time I posed this difference of approach someone said, "Well, actually, the French system—it is like that, but does not work well now", or you can have the mixed economy.

Q220 Chair: Actually what we need is to ask you to do is square the circle. On the one hand we want to turn Government on its head and decentralise and Big Society and Post-Bureaucratic Age. On the other hand in the Public Bodies Bill you justified transferring a whole lot of activities of non-departmental public bodies back into Government departments on the basis of ministerial accountability, the very old fashioned notion. There is a tension there, is there not? How do you square the circle?

Francis Maude: I do not think there is a tension at all, actually, because the whole point behind the Public Bodies Review and the Public Bodies Bill is to increase democratic accountability and that can be if an executive agency, for example, is accountable to Parliament through a Minister, and an NDPB is not.

Q221 Chair: If you are pushing public service into mutuals and arm's length organisations they are going to be less accountable, aren't they? I am being devil's advocate here.

Francis Maude: No, not remotely less accountable, because a group of in-house public servants is accountable through the bureaucratic hierarchy to, if it is within a Government department, a Minister, and thence to Parliament. Set it up as a cooperative mutual outside the public sector and there is still an accountability relationship. It turns then into a contractual relationship, not an employee relationship—that is the only difference. But it is just as accountable—actually, arguably, more accountable.

Q222 Chair: So a Secretary of State will still answer for the failing of an individual school?

Francis Maude: No, and I hope they won't. Why on earth would we want a system where Ministers are held responsible for the performance of every school? That is a ridiculous idea.

Q223 Chair: That is the system we have at the moment.

Francis Maude: I know and it is bonkers.

Q224 Chair: Right. So decentralisation does mean a stretching of the elastic bands of accountability in the traditional sense.

Francis Maude: Yes, totally.

Chair: Right. That is clear.

Q225 Kelvin Hopkins: Just one more question. What people demand is equity and quality and accountability. All of these three things will be destroyed if we go for this almost Maoist revolution. Is that not the case?

Francis Maude: No, shortly. You say everyone wants equity and everyone wants quality. You cannot have total equity and a drive towards quality, because quality improvements do not happen uniformly. Quality improvements happen because a group of people in one place think of a better way of doing things and they do it. They do not have a White Paper that tells them, "This is how you must do it"; they do it. They think of it and they do it.

Again, I do not want to be boring about the mutuals, but I can point you to some fantastic ones where people are just thinking in sometimes tiny ways, ways of doing things differently, that deliver a better service for less money because they have thought about it. And they are not subject to some hierarchy and some set of rules that prevents them doing it. They just do it. So the quality of the schools will come from groups of people doing things differently, that then permeating out and that is—

Q226 Chair: Could you furnish us with a note of some of the things you would like us to go and look at?

Francis Maude: Yes, absolutely.

Q227 Paul Flynn: I think I feel inspired by this born-again socialism that we are hearing this morning. You do not believe in plans, which is unfortunately

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not Maoist, but there we are. But you do believe in doing stuff, as you have said. Now you have been doing an awful lot of stuff lately. Was it not naïve of the Government to believe that dumping a whole mountain of data incomprehensible to the average person into the public domain was somehow going to improve accountability? It did not go well, did it?

Francis Maude: No, it went very well. Is it all perfectly useable and perfectly understandable? Probably not but—

Q228 Paul Flynn: Can I give one example? Your hallelujah chorus of praise that comes daily from the *Daily Mail* commented on it: “The database is too vast and of no use to anyone but computer and data experts.” Many others said the same.

Francis Maude: Except you would also find that the *Daily Telegraph* and *The Guardian*, both of whom are leaders in terms of the digital exploitation of data, not only were enthusiastic about it but actually set their developers to work immediately on finding ways into the data. Now, to the question: is it all perfect? No, it isn't. The thing I said absolutely at the outset in our approach to transparency and data release is that speed trumps accuracy. It is important to get the data out there because that brings its own discipline in terms of improving it.

One of the conclusions of Sir Philip Green, when he came in to do a fairly rapid and vigorously expressed review of some aspects of efficiency, was that the quality of Government data in many respects is lamentably poor and inconsistent. Expose that, as we are doing, and you start to build in disciplines within the organisations that provide the data to improve the quality. So, rather than trying to sanitise it all and make it all perfect and lovely and totally useable to begin with, the view we have taken is put it out there; let people get to work on it; find out from the public who want to use it and the developers and the different organisations that want to use the data what things are going to be useful to them, rather than us sitting back at the centre and saying, “This is what we are prepared to divulge and in this way.”

Q229 Paul Flynn: Speed trumps accuracy.

Francis Maude: Yes.

Q230 Paul Flynn: So it does not matter if parts of those data are inaccurate?

Francis Maude: Some of it will be inaccurate. For sure. Absolutely certain; I absolutely guarantee that.

Q231 Paul Flynn: But speed is important. These are daring concepts, I think.

Francis Maude: I will take that as a compliment.

Q232 Paul Flynn: The references were generally hostile to your release of data. How are you going to measure its success? If we look at the newspapers—

Francis Maude: No, the comments were not generally hostile. I am sorry; I cannot let you get away with that. Britain is now seen as a world leader in transparency, in opening up the workings of Government to public view, and this is pretty uncomfortable. There are high levels of discomfort.

Q233 Paul Flynn: Can I just make a point? I mean you can talk all day about it. Professor Martin Smith said to us: “The problem with the plans at the moment is that large amounts of very crude data are being released. It is difficult to know what, first, ordinary citizens will make of the data and how they will be able to use them.” Now, how are you measuring how you have improved accountability by dumping this data?

Francis Maude: I think that is a really old-fashioned view, because some of these data—

Q234 Paul Flynn: Inaccuracy is the modern view.

Francis Maude: If the data is inaccurate, the data is inaccurate, and better to expose that, and, as I say, that brings its own discipline in improving the quality and accuracy of the data.

Q235 Paul Flynn: Isn't this a swing of the pendulum? Your party was very impressed by what Tony Blair said: that in his first couple of years he did very little to change, but in fact don't you think that when Lord Cameron might write his autobiography in about 20 years' time he will start off by saying, “I rushed in where angels feared to tread”? Aren't you doing too much stuff?

Francis Maude: No. Again, I take that as a huge compliment.

Q236 Paul Flynn: Wouldn't it have improved this release of data if you had had a plan?

Francis Maude: We did have a plan. We set out the plan. The Prime Minister wrote round Government departments almost as soon as we started, which set out the plan. We made the commitments: we will publish organograms; we will publish salaries, which is actually not a particularly new concept. I am told that in 1970 Whitaker's Almanack published the salaries of all Senior Civil Servants, so it is not a new concept.

Q237 Chair: Isn't the point here that obviously any member of the public will have access to this data, but actually you are no longer going to be relying on the monopoly intermediary—

Francis Maude: Exactly.

Chair:—for the statistics, which is the Government and the Statistical Service. But aren't you encountering some resistance from within the Statistical Service across Government that unexplained data, data without metadata, is dangerous because it will be used and abused, and *The Guardian* and the BBC and the *Daily Mail* will get hold of the wrong numbers and draw the wrong conclusions and everyone will go running off at tangents. Hasn't this got to be tightly controlled and explained? As you can see, I do not quite believe the question I am asking.

Francis Maude: Well, the only resistance I am encountering is from Mr Flynn, actually, at the moment.

Ian Watmore: Two quick points on this. What the Minister said about getting the data out there is important. The feedback we are getting is they want it out there in more accessible format, and that is what we are now working on.

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Q238 Chair: So it is still going to be censored and doctored before it comes out?

Ian Watmore: No, accessible format in terms of the computer systems that people use.

Q239 Chair: So we are not going to put raw data—it was put to me by a very senior statistician that raw data is about as useful as raw sewage.

Francis Maude: That is one of those easy, glib phrases that does not mean anything at all.

Ian Watmore: Perhaps the bigger issue is less about the informational aspects than what it enables people to do. So if you go to a very outstanding organisation like Netmums, which has created a whole community of ability to serve mothers in this country, they have great need for information from Government in order to be able to then serve—

Q240 Chair: But they will be an intermediary?

Ian Watmore: Yes, exactly. And we are getting that sort of pressure from them in order to be able to help put more information out there so that very valuable and worthy organisations, like Netmums, can take that data and turn it into information for their customers in the way that they want to do.

Sir Gus O'Donnell: Could I just make one point on this? It is absolutely right and I think the raw, unadjusted data in innovative areas is really incredibly useful and we should let the experts intermediate that process. There is, of course, the need for things like national statistics, where accuracy has to trump speed—the other way round. So there you take a standard issue like seasonal adjustment; you would want to have figures that are seasonally adjusted, for example, by standard, accepted methods, and you could put the raw data out there but then we would have arguments about the methods of seasonal adjustment and all the rest of it, which I could talk about at great length, but I am sure you do not want me to.

So you do need to distinguish, but I am very much with getting the data out there in a raw form so that then the intermediaries can use this, develop it, look at it, find ways to handle it and we have done it. I think the bicycle accident data was a classic example of Government just sticking data out there and the user groups finding really interesting and new ways to do it, which were great for the public.

Q241 Paul Flynn: Can I just counter this dastardly suggestion that I am isolated in my wisdom here? I have the might of the *Daily Mail* behind me; I have Professor Martin Smith, and Nigel Shadbolt, another professor, a member of the Transparency Board, no less, said that “the eagerly awaited comprehensive spending data from the Treasury (COINS) disappointed many—it was hard to fathom and difficult to interpret.” I have the joy of representing the Office of National Statistics and these matters are discussed at great length, and the feeling is that your Government—we come to this later—is running away from the professional standards of statisticians and going into this populist binge of yours with policies that have inaccuracies built into them, where there are no plans and which are bound to end in a car crash.

Francis Maude: Point one: Nigel Shadbolt, who is on my Transparency Board and was at the meeting we had of the board yesterday, strongly supported us putting the data out there. The fact that he says it is imperfect—I completely agree with everything he said. This data is not perfect but it is the data we have, so it is a very quick, simple thing to do, and there was lots of interest for people in combing through it and finding lots of stuff to query.

Q242 Paul Flynn: How are you going to measure whether it is working or not?

Francis Maude: People will tell us.

Q243 Paul Flynn: You have not got anything in place, any mechanism—plan, dare I use the word?

Francis Maude: This craving for plans.

Paul Flynn: Clearly, you have some phobia about plans and accuracy. It is all great stuff; it is all very daring stuff.

Francis Maude: People will tell us. There is a huge community of people who develop applications that use this data in different ways, which exploit it, sometimes for commercial gain, sometimes for social gain, and this is unplanned. This is fundamentally unplanned. This is a market, a mixed ecology, if you prefer that word, where lots of activity is going on—

Q244 Paul Flynn: Chaos.

Francis Maude: No, untidy. Not chaos. But very untidy. There is a difference between statistics and information, and Gus is completely right that the statistical process must be rigorous and accurate to the best extent that it can be. There is a difference between putting data out there and allowing other people, other organisations, to use it in different ways.

Paul Flynn: I think your comments will come back to haunt you in future.

Q245 Chair: I thoroughly approve of all this.

Francis Maude: Good.

Chair: But when I visited the conference of the Government's statisticians earlier this year and extolled the virtue of putting raw data out, it was greeted with gasps of horror and astonishment. Is this just a slightly sort of closed-shop mentality? Is the national statistical service greeting this with open arms as much as you suggest or has there got to be a culture change there as well?

Francis Maude: Is there resistance on the basis that it is a competing approach? I have not particularly sensed that, but I think that we do have to be very clear that a lot of what we are doing is getting in management information and publishing it so that we can be held to account very directly for how we spend public money, for example. The statistical processes are different and they should be.

Sir Gus O'Donnell: The distinction is between what is a national statistic and what is data that is being put out, and they are two very different things.

Q246 Chair: That is a very good distinction, thank you for that. Moving on to efficiencies and funding cuts as drivers of reform, Cabinet Secretary, we went through a period where we were told that new money

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was necessary to facilitate reform. We are now in a different ballgame, where we are told that reductions in public spending are the great opportunity to drive reform. How is this going to be done and is it happening?

Sir Gus O'Donnell: Yes, it is happening. I think we have created, as it were, the classic burning platform. Every department has got to cut its admin spend by roughly around a third. This is helped by all the things they learned at Civil Service Live; they are thinking of innovative ways of going about this. We are already seeing people coming up with brand new ways of doing things, or ways of not doing things: just deciding that there is something that actually the Government was doing but does not need to do anymore. It can find other ways to achieve the given outcomes that we are after.

Q247 Chair: There are one or two departments who are not subject to the same cost pressures. How confident are you, for example, that DFID is being put through the same reorganisational mill as, say, the Ministry of Defence or DEFRA?

Sir Gus O'Donnell: Right, well I think you saw that yesterday, where the Department has released its aid effectiveness review, where they are looking at all of the money they spend through all the different channels, through the multilateral channels—

Q248 Chair: But what about their administrative overhead?

Sir Gus O'Donnell: They are required by Treasury to cut back on their administrative overheads. Now, it is an interesting question for them. They have, if you like, an even bigger challenge than other people because of the amount of money they have to spend, because of the 0.7% commitment, is actually increasing at the same time that we are requiring them to hit the efficiency standards of other departments. So, whereas other departments quite often are dealing with spending totals that are falling, they are dealing with spending totals that are increasing, so they have a double challenge.

Q249 Chair: MOD are losing in total—what? 25,000 people. How many people are DfID losing?

Sir Gus O'Donnell: I do not know the number off-hand, but DfID is tiny compared with MOD.

Q250 Chair: But in percentage terms? Are we expecting them to lose the same sort of percentage?

Sir Gus O'Donnell: Yes, I would think in terms of their admin budget, it would come down by similar sorts of amounts.

Q251 Chair: So 30%?

Sir Gus O'Donnell: I would say in the 20% to 30% range.

Q252 Paul Flynn: I get the impression of the Government as being like someone trying to drive a brand new car on an unfamiliar road with no street lighting, and there are two mechanics under the bonnet trying to redesign and refit a new engine in it.

Francis Maude: While we are driving it?

Ian Watmore: It's good fun. Formula 1.

Paul Flynn: There have been a number of mistakes and apologies and times when you have had to go back. You had the evacuation of British citizens from Libya this week; there was the climbdown on the idiotic idea to sell off the forests; the building schools initiative—another U-turn on that. You have not been in power very long to have had so many humiliating U-turns and now you have got a sort of fire brigade in at 10 Downing Street to avoid these future disasters. Wouldn't a plan have been possible in the early days to avoid the elephant traps that the Government has fallen into?

Sir Gus O'Donnell: Well, we have had plans and have plans.

Q253 Paul Flynn: What has gone wrong? Why have there been so many U-turns?

Francis Maude: There have not been that many.

Q254 Paul Flynn: Looking back at past Governments—

Francis Maude: We are a Government that does things. You earlier were saying we are doing lots of stuff, in a way that made it sound rather dismissive, but I took it as an immense compliment, actually. If you do a lot of stuff and do a lot of things and you press ahead at speed, as we are doing, is everything going to be perfect? Probably not.

Q255 Paul Flynn: I think experience showed us that doing stuff, major reforms, major reorganisations largely do not work and do not deliver benefits that account for the disorganisation and the chaos of the processes themselves. Generally I take a conservative point of view and you seem to take the revolutionary point of view.

Francis Maude: If I may put it like this, you are taking the reactionary point of view.

Q256 Paul Flynn: Chairman Mao would have been proud of you.

Francis Maude: You are taking the—was it Lord Melbourne who said, "Change? Aren't things bad enough already?"

Q257 Paul Flynn: Indeed. A very profound comment.

Francis Maude: I mean they are deeply reactionary, and splendid. It is very good to have the forces of crusted reaction represented here.

Q258 Paul Flynn: Could we take the Civil Service? Are they still a Rolls-Royce Civil Service, as we like to boast that they are, or does it need fundamental reform?

Francis Maude: I do not think anyone would claim that it is perfect.

Sir Gus O'Donnell: It is not perfect but let's have some objective measures. If you look at our university students, where do they want to go? Where do the best of them want to go? There is an objective measure: the Times Top 100. We are number three. We are swamped. We are trying to devise ways not

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to have quite so many applicants, because it is really difficult to get through the tens of thousands—

Q259 Chair: It is not the quality of people coming in then; it is the way they are trained and deployed and used. There is a sense I get from informal contacts with Ministers and special advisers that the Civil Service ain't what it used to be. The command chain is much more elastic; it has got into bad habits.

Sir Gus O'Donnell: It ain't what it used to be. Like I say, when I arrived my finance director in the Treasury, who had no professional qualifications, spent his time negotiating the one-year deal with each individual department. You know, come on. The idea of an HR person having an HR qualification was just completely—so it is very different from what it was before. It is much more professional.

Q260 Chair: I think the reason why FTSE 100 companies are not obsessed with qualifications is because a qualified finance director is no guarantee that he is a good finance director.

Sir Gus O'Donnell: Absolutely.

Q261 Chair: And just because you have not got a qualification does not mean that you are a bad finance director. So sticking labels and qualifications on people is no guarantee of quality of administration.

Sir Gus O'Donnell: True, but I think it certainly helps. In the old days, when I arrived in the Civil Service the main job of the finance director was to negotiate for that department with the Treasury to get as much money as possible. That is what it was about.

Q262 Chair: The National Security Council, presumably, approved the Prime Minister's suggestion of a no-fly zone for Libya, but forgot to understand that we do not have any carriers or Harriers in order to take part in such a no-fly zone. There seems to be more and more disconnects like this emerging.

Sir Gus O'Donnell: No, absolutely not. The point the Prime Minister was making in his statement to Parliament and his request to the National Security Council was that there was contingency planning going under way, and when you are in a situation as you are in Libya it is absolutely right there should be contingency planning. That contingency planning is being done by NATO as well. That is absolutely right.

Q263 Chair: Does that contingency planning include the possibility of bringing Ark Royal and the Harriers back into service?

Sir Gus O'Donnell: In terms of access, I cannot think of an area where you have not got—you have Malta, you have Italy—I really do not think that is an issue. We have been able to manage getting military flights into Libya, like I say, mostly from Malta.

Q264 Paul Flynn: I am delighted to hear that you visited Newport and you could have dropped in for a cup of tea if I had have known, and I would have brought you up to date that it is no longer called the Patent Office; it is called the Intellectual Property Office now. But I was delighted to hear that you praised the innovation of the staff there, which is good

news. We were told by Professor Christopher Hood that with the slash and burn and the reductions of staff and all the other things that are going on under this Maoist Government that it is going to strip from the Civil Service probably some dead wood but also a great deal of the memory of past decisions made, a great deal of the genuine expertise, and the Civil Service will be poorer because of the loss of so many experienced and knowledgeable people. Isn't this true?

Sir Gus O'Donnell: No, I do not think it is true. The key for us—and this is about managing change well—is that we manage this process and we improve the average quality of the Civil Service through it. So we need to make sure, as we go through this process of reducing our numbers, that we end up with—and one of the reasons I am sure that we will do this is the Minister agreed that we would keep the Fast Stream going, so we will keep that source of really good quality graduates coming into the Civil Service. I think it is fair to say that as we go through these redundancy programmes we will find that we will not let the best performers go. We will raise the average standard; there is absolutely no question about that.

Q265 Paul Flynn: What impact has publishing the monthly updates for each department had on the efficiency of the departments?

Sir Gus O'Donnell: Which particular monthly updates are you talking about now?

Q266 Paul Flynn: Well, how many monthly updates do you have? We have a plethora of them, but I understand—

Sir Gus O'Donnell: There are monthly updates on business plans, but I think what that is doing is holding people to account. If you take something like the Cabinet Office, we have hit 85% of our commitments.

Francis Maude: We have a lot more than anyone else as well.

Sir Gus O'Donnell: We have a lot more than anybody else; that is absolutely true.

Q267 Chair: Do you think your milestones are creating too much pressure to make announcements?

Sir Gus O'Donnell: No, I don't—

Francis Maude: It is a very good question, actually, because we have not hit all of ours in the Cabinet Office. We do have a huge number and some of them are cross-Government, so they are not wholly within our control. That is fine. The excuse is—

Q268 Chair: I am rather encouraged that you are taking time to think about these things.

Francis Maude: The point is absolutely right: that we could have found some way of spatchcocking something together that would have enabled us to tick the box and we have not done that.

Q269 Chair: Take longer over House of Lords reform, please.

Francis Maude: The normal intervals in terms of House of Lords reform tend to be in the range of 90 years. I think it is much better that we should say,

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“No, we have not hit this milestone, and this is the reason,” so explain it, rather than try and lash something together at short notice just to tick the box, and we are not going to do that. But it is a good discipline.

Robert Halfon: Unlike my friend opposite, I am fairly Maoist when it comes to reform of the Civil Service.

Paul Flynn: Hear, hear, comrade.

Q270 Robert Halfon: I asked this question of Oliver Letwin and it comes back to my earlier question: isn't what you are doing—which is very worthy and noble—internet 1.0 rather than internet 2.0, 3.0? In essence what you are doing is providing information, doing some modest reform, but you are more encyclopaedia than Wikipedia. You are not actually doing really fundamental reform that gives people the real chance to make a difference.

Francis Maude: In relation to what in particular?

Q271 Robert Halfon: In relation to the whole—in the way you describe it—flexible and adaptable and decentralised Civil Service and open Government, which I am fully in favour of. I think it is a good initiative, but it is really doing what people have done for the last five or 10 years. Okay, Government has been behind, but you are putting the information there but people have no input and feedback into what is going on. In other words it is an encyclopaedia of information rather than a Wikipedia of information, and that is the same with the reforms that you are describing: they are very modest and incremental, rather than fundamental.

Francis Maude: I think they will turn out to make a lot of difference but I do not think they are easily encapsulated into a plan. It goes back to this idea: is there a big, grand plan or are we, in Mr Flynn's phrase, just doing stuff?

Paul Flynn: That was your phrase.

Francis Maude: Was it? I think a lot of the stuff we are doing actually adds up to things at the end of it being done in a very different way. For example, flattening structures: the Civil Service is very hierarchical and modern organisations do not have that many layers and over time we will see those layers eroding. That has happened in some agencies already.

Q272 Kelvin Hopkins: There is the theme about, “We don't think the Civil Service is as good as it was”. We used to recruit the best minds; they were not just the most intelligent, but the intellectuals, almost, of our society, and I get the feeling it is not as good as it was. At our peril we will dismantle the Civil Service and get rid of that collective intelligence.

Francis Maude: I agree with that; well, I agree with the last part—at our peril. I do not agree that the Civil Service does not attract very, very good, bright people.

Sir Gus O'Donnell: The idea that we recruited the best minds—I am sorry, we didn't. If you believe we did, then why was it that there were no women at the top? Do they not have the best minds?

Q273 Kelvin Hopkins: That is another point. We say it is the best minds amongst the men, maybe.

Sir Gus O'Donnell: No, it is not another point; it is exactly the right point. We farmed in a very small pool. Now we are looking across the whole range to get the very best people, wherever they come from—

Q274 Kelvin Hopkins: Society has been sexist—

Sir Gus O'Donnell:—and I think we are, as a result, getting much better people. I would say the quality has gone up considerably.

Ian Watmore: Personally I agree that it is not what it used to be; I think it is much better than it used to be. I seriously do and in so many different ways. We have many more skills to call upon in the Civil Service even in the time I have been there, which is only seven years. It has been fantastic the way that we have brought some of the really best people from the private sector, the third sector and local government into the Civil Service and blended them with the traditional Civil Service skills.

Sir Gus O'Donnell: I do cringe when I look back on when we did monetary policy in the Treasury and it was done by classicists.

Francis Maude: Very clever classicists.

Sir Gus O'Donnell: Very clever classicists, but give me a break.

Q275 Chair: But isn't it rather sad, for example, that we do not have a scientific branch of the Civil Service anymore?

Francis Maude: We do, don't we?

Q276 Chair: Very much eclipsed from what it used to be.

Ian Watmore: I used to have responsibility for this in a previous department. In the department now known as BIS we have both the Government Chief Scientist, who is John Beddington, and Adrian Smith, who oversees the whole science and research budget. They are two of the world's best at what they do, not Britain's best.

Q277 Chair: But we are relying on a few individuals rather than a culture of—

Ian Watmore: And in every department, near enough, there is a leading chief scientific adviser. John Beddington meets with them every week; they are a very tight—

Q278 Chair: But they are rather more political appointments than they used to be, aren't they?

Ian Watmore: Well, no, I do not think so.

Sir Gus O'Donnell: They are not political appointments. If you look across the professional groups—take statisticians. The number of statisticians since 2000 has doubled. The number of economists I think has tripled. The number of people with strong professional backgrounds—when you go back to *Yes Minister*, do you remember the *Yes Minister* episode when the Minister was very impressed by the person who knew the answers to all his questions and had solutions and said, “Why hasn't that person got on any further?” and the answer was, “Well, he's a specialist.” Actually, that cannot happen anymore.

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You do have a specialist that can get to the top. That is a very, very good message about the professionalisation of the Civil Service.

Chair: We will be coming back to the decline in strategic thinking in Government later.

Q279 Charlie Elphicke: So Francis, the other day in the Chamber you told me that you would be bringing forward new rules to stamp out lobbying by quangos. Can you tell us when those rules might be likely to be brought forward?

Francis Maude: No, but I will go from here and make a plan and announce it. There is not a huge amount that needs to be done.

Q280 Charlie Elphicke: You will do some stuff.

Francis Maude: Yes, exactly. That is right.

Q281 Charlie Elphicke: Thank you. Sir Gus, I think I am right in saying you were previously at the Treasury, and spent many years at the Treasury. Can you tell us what involvement you had in the merger that formed HMRC?

Sir Gus O'Donnell: Yes. I did join the Treasury. It is an example of coming in and not getting your first choice of department, actually. I was involved in that process. I wrote a report about it, and the big issue for me was that there were only, I think, two countries in the world that separated out the collection of indirect tax from direct tax, and one of them, I think, was Israel, which has now changed; the other one, I think, was either Malawi or Chad—I cannot remember—and it just seemed to me incredible that we had a situation where one set of tax people were going in to collect VAT and another set were going in to talk about corporation tax—massively burdensome on departments.

Francis Maude: And on business.

Sir Gus O'Donnell: And on business.

Q282 Charlie Elphicke: This was, then, very much your baby and your project, and you led it.

Sir Gus O'Donnell: No. Obviously, it was decided by Ministers, but I certainly worked very closely on that report—absolutely.

Q283 Charlie Elphicke: What lessons have you learnt as a matter of the change programme from the fact that it has been a total and unmitigated disaster?

Sir Gus O'Donnell: I do not think that is true for a second. I think, when you look at the record they have internationally in terms of how efficiently they collect revenue, the reduction in the burdens on businesses, I think it has been a success.

Q284 Chair: Take out the barb at the end: what lessons have you learnt from that in terms of the change programme?

Sir Gus O'Donnell: Lessons I have learnt? When you are making big changes like this, you do have to think very, very carefully about culture change. We were putting together two different groups. It is classically said that the Inland Revenue, basically, always wanted to negotiate a settlement, whereas Customs' view was, "Let's bang them up," basically, and putting those two

cultures together was going to take quite some time. I think, in the decades to come, we will certainly do this. Like I say, what we have done is put together a single tax authority, which virtually every other country in the world did before us, and that is what I think we needed to do. Now, I think what we also have done since has helped, in that we have moved it towards a tax authority, and some of the things that were within it have moved to other places, which I think has been a good thing.

Q285 Charlie Elphicke: The point I am trying to get at is, if you look at the case of that particular organisation, you had a number of things present: a change programme plus a massively reducing budget, which is what we got in a larger steer across the whole of Government. What we found there is the usual IT disaster. This matter was debated in the House of Commons yesterday at great length—and Mr Hopkins is an expert on it as well—and we found in the course of the debate that the telephones are not answered very effectively, that there is total dislocation, that there has been a lot of change and it had not gone well, and so, as a result, HMRC is at the bottom of all departments in terms of morale. What I am trying to get at is you have a special place and special experience; having seen what happened and been involved in that process, what lessons would you apply and have you taken in relation to the wider reform of Government that we are now likely to have to ensure that it does not end up as a huge version of HMRC's restructure?

Sir Gus O'Donnell: I think one of the things we did there was set up somewhat too complex a management structure, with cross-responsibilities that meant that the accountabilities were not as clear as they should have been. I think that is one of the clear lessons; also, that it takes time to change cultures and that you need to be patient, but I think we are already seeing a lot of benefits, both in terms of reduced burdens for business and in terms of increased effectiveness of our revenue-collection agency, which is admired around the world, I stress.

Q286 Chair: Was it a mistake to finish up with people who knew about income tax finding themselves collecting VAT, and people who knew about VAT working on people's income-tax returns? We have all had cases in our surgeries where people have been struggling with the consequences of that.

Sir Gus O'Donnell: I think the biggest mistake, which we are trying to put right, was that people thinking about VAT were thinking about VAT and not thinking about the business that they were collecting the VAT from, and somebody else was thinking about collecting corporation tax from the same business, and the two were never speaking to each other. That was the problem.

Q287 Charlie Elphicke: In terms of departments' ability to step up to the plate, some departments are going to be less inclined to reform and are more backward looking. We had a seminar with some permanent secretaries a while back, and the Department for Transport was picked out as a

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particularly backward-looking department by those civil servants. How will you ensure that those departments come forward and are brought forward and reformed effectively?

Sir Gus O'Donnell: One of the things that I started some years ago was to do capability reviews of departments—and this was very radical; the NAO welcomed it—which was to publish our view about their capability in terms of strategy, delivery and the like. I think those programmes—I think everybody accepts—resulted in big improvements in capability in departments, and we will move on to a slightly different form of the same thing now we are in this change programme as well.

Q288 Charlie Elphicke: What role do you think the Cabinet Office should take in terms of coordinating transformation programmes across Government and how will you avoid the box-ticking culture that infected the past, which has done so much harm?

Sir Gus O'Donnell: The Cabinet Office will play a big role. Partly, the Minister is pushing us from the centre to be much tighter, if you like, on a number of key issues like consultancy spend, marketing spend and the like, but also centralised procurement; but we are also, as a collective, as a Civil Service, getting together at various times to learn lessons about our different change programmes. Like I said, we are all going through this process of reducing our admin spend by about a third. We are all going at it in ways that are suitable for departments. Obviously, you take a department like DWP—tens of thousands of people: it is rather different from somewhere like DCMS looking to have a cutback of around 50%—some of the others somewhat smaller—but we are trying to learn the lessons from each other and learn from the private sector in terms of getting people in who have experience of this, and we are using, as well, our non-executive directors, who will be incredibly useful for this process.

Q289 Charlie Elphicke: Do all the permanent secretaries tend to sit around and meet together and discuss these things?

Sir Gus O'Donnell: They certainly do.

Francis Maude: He said wearily.

Q290 Charlie Elphicke: Does the Cabinet Office and do Cabinet Office Ministers take much part in those meetings, or are they more about shaking the head at the Minister?

Sir Gus O'Donnell: No, no. Again, coming back to the importance of Civil Service Live with the new Government coming in, it was Ministers giving the messages about the changes they wanted, and that was very clear and we carry on. Since then we have had Top-200 meetings, where we have got the 200 top civil servants together and got the Prime Minister and Deputy Prime Minister. I think the last one we did in the Treasury, and we had the Chancellor come and talk about change, so we do it all the time. For us, like I say, this is the big challenge: can we meet these cuts in our admin budgets and our staff, and do better with less?

Q291 Charlie Elphicke: Finally, could I just put to the Minister: the risk is, with a plan, as Mr Flynn says, you just end up doing stuff. I think it is important to have a concrete plan, but there can be and has been in the past a tendency to tick boxes and say, "Oh, well, that is fine. We have ticked this box and ticked that box." You then end up with this whole disastrous culture that has built up, where no one takes responsibility and it does not matter what happens so long as the box is ticked. How will you avoid that?

Francis Maude: By, I hope, being fairly rigorous about the stuff we do being substantive, and to say what we are going to do and then do it. The structural reform plans, which are basically to-do lists—and very useful from that point of view—do put a discipline on you, and I do not think have led, as I said before, to a box-ticking approach. We want the stuff that we do to be substantive and serious. It might be useful to get Ian to talk about the transformation stuff in the shared services.

Ian Watmore: On your last question, we used to have a phrase called "hitting the target and missing the point", which I thought kind of summed it up quite nicely. The Cabinet Office's role in helping departments in the change is very widespread now. That is part of my responsibility. I have a director in my team who is focused on everything that is going on in my particular department, so that there is real knowledge and understanding, and there are probably two key roles that we play. One is we help people share what they are doing, so that department A knows about what department B is doing, and put the two of them together so that they can learn from each other, which is incredibly powerful.

The second thing we are trying to do is create shared capabilities that everybody can use—shared services and so on. For example, when we went to renegotiate the supplier contracts across Government, we did that as a whole of Government, not each individual department, and we found expert commercial directors in different departments who would then go and sit down with a company like BT or Fujitsu or whoever and renegotiate the contract on behalf of the whole of Government, and we saved £1 billion in that way, which gave benefit back to the departments in that way. We are also, following Philip Green's report, looking to bring commodity procurement together into a single place, to take that burden away from all the individual departments, both to get a better price and to do the actual procuring more efficiently in itself. There are quite a number of ways in which the Cabinet Office is helping and leading, but ultimately, obviously, departments have to change themselves, and we are also very cognisant of that.

Francis Maude: There are some other cross-cutting things that we are leading from the Cabinet Office as well. For example, on public-sector fraud and error, and uncollected debt, where the National Fraud Authority recently concluded that there was around £21 billion worth of public-sector fraud. There is a yet unquantified amount of error and there is quite a—

Q292 Chair: £21 billion?

Francis Maude: £21 billion, which is a lot of money, and so what we are doing, I now, at the Prime

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Minister's request, am chairing a taskforce with a lot of people from around Government, but also from the private sector, where, again, without having a plan, what we are doing is a whole lot of pilots to look at: where is the low-hanging fruit and how can you use data analytics to find out where the likelihood is? The HMRC—now recently just slightly reviled here—has done a very interesting pilot on—I cannot remember what the phrase is—single-person fraud, where people claim to be living alone but are not. The data analytics threw out a sample of 1,000 people who were high-risk. They wrote 750 letters. As a result, without any follow-up at all, they have saved £1.5 million a year from people who have simply said, “I am stopping claiming the benefit”.

Q293 Chair: Because they think they have been found out.

Francis Maude: Because they have been found out, and is that fraud or is that error? Apparently, there is a classification of deliberate error, which is—

Chair: Can we move on? We might have to do an inquiry on public-sector fraud.

Q294 Robert Halfon: On reducing the costs of administration, are you going to cut substantially the costs of departmental Government conferences? For example, the Department for Work and Pensions spent £115 million on management conferences over 10 years; the Home Office spent £43 million. The figures go on and on and on.

Francis Maude: These conferences tend to come under the classification of marketing spend, and they have to come to me for approval.

Q295 Chair: Why can't they be like Civil Service Live and be free?

Francis Maude: A very good question, and the answer is: a lot of them can be.

Ian Watmore: A good example of that is that the finance profession now has its quarterly meetings sponsored as well so that they are free.

Q296 Robert Halfon: What are you going to do to stop the spending of millions of pounds going to conferences by management of departments?

Ian Watmore: I think that managers of departments are now—this is true for all of us; I can say it as one of them. Genuinely, you challenge every one of those requests, and it has to be absolutely top-value before you—

Q297 Robert Halfon: Have you cut the spending? That is what I am asking.

Ian Watmore: Yes, definitely. Marketing spend is—

Q298 Chair: I am sorry; we are going to move on. We are pressed for time. Coming back to the change programme, I think the most chilling evidence we have had so far is from Professor Kakabadse, who told us, “About a third of major change programmes that I have seen”—and he does research into this subject—“succeed, and there is one fundamental reason: the top is pulling together. I do not see that here.” What have you got to say to that?

Ian Watmore: I actually do change for a living as well and have researched a lot of these things, and he would be right to say that change programmes work. One of the necessary conditions is that top management is a unified team and focused on a single agenda. Probably, for me, the bigger lesson of successful change programmes is that that is necessary but, by far and away, insufficient. What is sufficient is when the staff are actively engaged in that change programme and it is done by them and for them, not to them. I would say, from my observation around the Whitehall departments—and I am looking at them all, as well as just us in the Cabinet Office—I think there is a real unity of purpose in the top management teams. This is where we get into one of these catch-22s: to engage with the staff, usually we have to get them together to talk to them. And then we get castigated for wasting money on conferences. It is a really important part of the lesson, and I think we are managing these change programmes extremely well.

Q299 Chair: I am sorry, I am moving on. If you did a private survey, Cabinet Secretary, of all the permanent secretaries, how many would believe in the virtue of decentralisation, the post-bureaucratic age and the Big Society?

Sir Gus O'Donnell: It depends how you define all of those terms. I think they would strongly believe that there is a change programme here and these are Government policies, and they will get on and implement them and they will do so with commitment and passion to show that they can manage this change successfully. I think the proof of that is that we are. One of the really interesting statistics for me is we do this people survey every year and we ask about—classic to the points that Ian was making—how engaged our staff are. Our engagement index was 58%. We did this again after the Spending Review, when people knew that these big cuts were coming, and it went down to 56%, which is a very small change. Actually, I think people are up for this and they understand it, and we will be able to track those numbers through time. We will be able to show that we have delivered this change and we have improved the engagement of our workforce. It is a great challenge for us but I think we are definitely up for it.

Q300 Chair: He went on to say: “From all of my research, any change programme that is deep takes at least three to five years to bed in.” He goes on to say: “If people who are implementing the change feel that what they are told to do is out of keeping with what they are actually finding, there will be resistance, and there is resistance the nearer they are to service provision... five years could extend to seven years. You could get something called change fatigue.”

Ian Watmore: Again, I recognise everything he says there. Particularly where the change involves deep cultural change—we were talking about it earlier—it can be longer. Many merged companies—I do not want to name examples but I can think of several that came together from Company A and Company B—still, 10 or 15 years later, refer to the Company A culture or the Company B culture, so he is absolutely right.

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As far as we are concerned, the urgency of the change that we are doing in the Whitehall departments is to reduce the head-office costs, because if we do not reduce the head-office costs, we will impact the frontline costs, so we are putting a lot of effort into the head-office costs and the avoidable costs, to get that out of the way now, so that, over the rest of this Parliament, when the wider policy reforms come in, we have got a solid and focused leadership team on delivering that change. You are absolutely right: it will take that sort of timeframe.

Q301 Chair: Then he says that this decentralisation “is a fundamental change of mindset, and that change of mindset has bedevilled many an organisation, and the investment that many organisations have put in to facilitate that change of mindset has been extensive.” Then he goes on to say that you probably get considerable redundancy because some people are too expensive to change or retrain, so “if you don’t want that, you are going to have a very different Civil Service and a very different set of values” in order to achieve this change. So, are you going to be able to achieve all that?

Ian Watmore: A lot to agree with, and I think there are some great case studies around, but one I particularly like, one of my favourite chief executives is Justin King at Sainsbury’s, who, on the first day, when the whole of head office was lining up by its desks waiting for him to come in, with some trepidation, never turned up and spent the whole day in a store. It completely sent a message through head office that, actually, this was different: that head office was not head office anymore, telling stores what to do; it was actually there to support the stores in the way they served customers. I think that is a great analogue for what we are trying to achieve in the public services. We are trying to get the front line to be enabled and for head office to support.

Q302 Chair: Cabinet Secretary, what are you doing to prepare for this change? Are you going to go and work in a social security office?

Sir Gus O’Donnell: I get out a lot and go around the country. Like I say, Newport was an example. I have been to visit a number of the Government Offices of the Regions that are shutting. I get out. I think, as part of being Head of the Civil Service, you have to do this. The thing I would say is the point about the front line: what motivates civil servants and public-sector people in general is being able to deliver a really good service for the public. That is what gets them out of bed in the morning. If we can empower them with better ways to improve public service delivery, we will get this change going. A lot for us is to deliver, and some of these Pacesetter programmes, the Lean programmes, are all about getting the front line telling you how to improve matters. So, I think we are in a good position, where, if we get this change right, we will be able to get a more enthusiastic, engaged front line.

Q303 Charlie Elphicke: Sir Gus, who is the change officer at the Treasury?

Sir Gus O’Donnell: The change officer is Nick Macpherson, the permanent secretary. He has got to be in charge of the change. You have got to lead this from the top.

Q304 Charlie Elphicke: Is that the case in each department?

Sir Gus O’Donnell: Absolutely. It is up to the permanent secretaries—and I will hold them to account—to make sure that change happens within their department. Obviously, when you are in a department like DWP, it is massive, so you need help. You will get someone who is dealing with the individual change programmes but ultimately this is all about leadership, and I think the culture change—coming back to what you were talking about—is that we have got to get that leadership throughout the organisation. There are people who are going to have to have some honest and tough discussions. I have had to go and talk to groups where we are making a number of them compulsorily redundant, where we are starting voluntary redundancy programmes. The one thing that will not change is our values: we will still stick with honesty, objectivity, integrity and impartiality. That is absolutely crucial, but you need to do it with pace and professionalism, and a bit of pride and passion as well.

Q305 Chair: We must move on to the questions we want to ask about the Chair of the UK Statistics Authority, but in our call for evidence you will have seen we have suggested some principles of good governance. But it has been put to us we should not be proposing principles; you should be proposing principles. Would you, in response to that suggested list of principles, perhaps submit to us your own proposals for a list of principles of good governance that match the challenge you are facing post-bureaucratic age, decentralisation, openness and transparency, and the Big Society?

Francis Maude: I think that is a good challenge.

Chair: Thank you very much.

Sir Gus O’Donnell: The one thing I would just say is there are lots of these principles around.

Q306 Chair: We want to know what yours are.

Francis Maude: If you do not like them, we have got others.

Q307 Chair: You have not got a plan, but we would like to know what the principles are.

Sir Gus O’Donnell: No, we have—we have a Code, which specifies our values.

Ian Watmore: We now have a plan to create plans.

Q308 Chair: I look forward to that. We are now moving on to the issue of the Chair of the UK Statistics Authority. Can you say on what basis you decided that the time commitment for the new chair should be reduced from the current three days a week—and, in fact, the current chair says he is doing four days a week—to merely two days a week?

Francis Maude: It is my understanding that the current chair started on three days a week but then, at his suggestion—and I think this was part of the

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original arrangement—reduced it at some stage last year to two days a week.

Q309 Chair: That is not our understanding. We are going to be taking evidence from him ourselves. Our understanding is he is very concerned that the job is being downgraded.

Francis Maude: No, it is not being downgraded. It is still an extremely senior job but it is going to be paid less, as most of us in the public service are being paid less.

Q310 Chair: Yes, but the job is being cut. It won't affect him, of course, but the salary paid to the Chair is going to be cut by two-thirds.

Francis Maude: Sir Michael, who I have the highest regard for, started on three days a week at £150,000 a year and came down in the course of last year—is my understanding; Gus may know—to £100,000 a year for two days a week.

Q311 Chair: Now it is going to be about £50,000 a year for two days a week.

Francis Maude: £57,000 a year for two days a week. It is the same salary as the Prime Minister. Our general principle—you asked for some principles—is that people should only exceptionally in the public service be paid more than the Prime Minister.

Q312 Chair: Are you aware that there is very widespread concern that this will not attract a suitable candidate?

Francis Maude: I have heard that concern. I do not believe it and we will see what the field of candidates is. It is a very high-prestige appointment, but it is in the public service and—

Q313 Chair: Who did you consult about this?

Francis Maude: I would have received advice, I guess.

Q314 Chair: Did the Royal Statistical Society express any views on this?

Francis Maude: Not that I can remember; not directly to me. I would completely understand that the world of statisticians would want this to be paid more—that is not a complete surprise to me.

Q315 Chair: There is a view that Sir Michael Scholar has been a bit too outspoken, a bit too difficult, and you want an easier UKSA in the future.

Francis Maude: No, but as a general statement I would say we have slightly fallen into the trap in the public service of thinking that you calibrate the status and importance of a job by the salary that is attached to it, and I contest that. I think people do not primarily take on demanding public-service roles for the money; if they do, they are insane. They do it because it matters. I think the public-service ethos is very strong. I want the person who takes on this role as chair of the UK Statistics Authority to be someone of great independence and authority and seriousness, and not someone who is doing it for the money.

Q316 Paul Flynn: This is a splendid view of society that we are having this morning: this sort of monastic dedication that someone comes into a job of this kind, regardless of the money.

Francis Maude: I am an idealist.

Q317 Paul Flynn: It is the sort of thing you get from a Cabinet of millionaires, whose life continues whether they get paid or not. Nothing changes things to believe in such arrant nonsense. This is a downgrading of the job from £150,000, which it was originally, to £100,000, to £57,000, and of course you will get people who think twice about it. They might not be able to get jobs for the rest of the week. It might be part of the Big Society: he may be expected to volunteer for the third day, perhaps. Perhaps this is the concept. But we know that Sir Michael Scholar has done his job and been a thorn in the side of Government, and attacked Government—particularly one Government department. He has also attacked the Opposition in this way. What we see the longer one stays here, you notice that when there is a change of Government, there is a change of scripts. The attitude from this Government seemed to be very similar to some of the caution from the other Government, who, to their great credit, introduced the UK Statistics Authority, which was a major advance to have a body that would have integrity, that would be above the political fray. He has done that, and now the job is being downgraded by this reduction in salary. Can you tell me how many people have applied since 27 February for the job?

Francis Maude: I do not have the slightest idea.

Q318 Paul Flynn: Would none be somewhere near the mark?

Francis Maude: It could be, but if that is when the advertisement closed, which was—

Sir Gus O'Donnell: Opened.

Francis Maude: If it opened five days ago or whatever it is, I would not expect there to be a huge amount.

Sir Gus O'Donnell: Always, when we get these things and we advertise, it takes some time. It is usually right at the end that people apply.

Q319 Chair: Have you got anybody in mind to fill this job?

Sir Gus O'Donnell: I know a number of people who could do it well.

Q320 Chair: Would they be former civil servants, by any chance?

Sir Gus O'Donnell: It is really important that we have people like Sir Michael Scholar. We were just saying—and I completely agree—that he has done a magnificent job, so I think ruling out former civil servants would be a massive mistake, but it will be done by fair and open competition.

Q321 Paul Flynn: The job descriptions are virtually identical—the one in 2007 and the one last month.

Sir Gus O'Donnell: It is slightly different in the sense that—

Paul Flynn: I will read them to you, if you like.

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Sir Gus O'Donnell: No, I think there is one big important change in that what Michael did, to his enormous credit, was set the thing up from the start. That is a massive job, and now what we are doing is someone needs to build on what Michael has done, and carry this organisation, which has created great credibility for itself, and carry that forward. It is a different job in that sense.

Q322 Paul Flynn: There are other members of the authority as well. Have they been consulted on this salary reduction and this reduction in the number of days?

Sir Gus O'Donnell: It is a decision for Ministers in the sense that this has been a policy decision that goes across the whole range.

Q323 Chair: That is a no, then—they have not been consulted, have they?

Sir Gus O'Donnell: I think we are very aware of where other members of the Board stand.

Q324 Chair: There is a very strong sense that the Government is doing this to the UKSA rather than this being an independent organisation, which is obviously what it should be.

Ian Watmore: I am not personally involved in this issue, but I would say that the whole benchmark of the Prime Minister's salary is something we are applying on a whole range of jobs across Government.

Q325 Chair: Statistically, it is a rather arbitrary measure of the right salary.

Ian Watmore: It is and, at all points, we say—

Q326 Chair: It passes the *Daily Mail* test. I do not think it passes the Office for National Statistics test.

Ian Watmore: It is not a question of passing anybody's tests or not; it is a question of the fact that all you asked was: was this being particular because of an issue with that particular body? I am saying the application of the Prime Minister's salary is something much broader and, therefore, if your job is two days a week, it is two-fifths of the Prime Minister's salary, and that is the right number.

Q327 Kelvin Hopkins: Just to follow this theme, the key to it all is we must trust what we get from the national statistical service. If the Chairman is appointed by Government to be a Government patsy who will do what he is told by Government and pressurise his staff to go along, in a sense—I am exaggerating slightly—we will not trust those statistics anymore. I taught statistics at a modest level, I use statistics a lot, and I want to know that we have got somebody like Michael Scholar in charge in future, who will stand up and speak the truth.

Ian Watmore: I think that is a quality issue.

Sir Gus O'Donnell: We agree with you.

Francis Maude: I think your Committee does pre-appointment scrutiny, don't you?

Q328 Chair: I will come on to the scrutiny process. When Sir Michael Scholar was appointed, the Government announced that there would be a Motion

on the floor of the House to endorse his appointment. Do you envisage a similar arrangement this time?

Francis Maude: I had not thought about it but I would expect that.

Q329 Chair: We are thinking about. We think it is very important.

Francis Maude: No, sure. Making it up on the hoof, I would say yes, definitely. I totally agree with what Mr Hopkins has said. I think it needs to be someone of clear authority and independence, and I absolutely do not want it to be a Government patsy.

Q330 Chair: Should we be looking at a different selection process, rather more like the Office for Budget Responsibility, which was established by the Treasury Select Committee? We have got no complaint about Sir Michael Scholar and how that was done, but shouldn't it be made a more independent appointment process along the lines of OBR?

Sir Gus O'Donnell: I would stress what we said about this appointment, like many others, is that it would be subject to scrutiny in the sense of going to the Committee, and there is a vote on the floor of the House, as you say, so this seems a very strong way of doing things. I hope that we will get someone as good as Michael Scholar, but the last process seemed to work very well, so I hope we will be able to—

Q331 Chair: May I just put you on notice: I think we are going to come forward with some proposals on this, and could we have a discussion about it?

Francis Maude: Yes, definitely. I—

Q332 Chair: Particularly with the question mark over some people saying that the office is being downgraded, a transparently independent appointment process is probably more important than ever. Would you not agree?

Francis Maude: I understand that.

Q333 Charlie Elphicke: Just to be totally clear in my own mind, are you saying that, in relation to this appointment, this Committee will be able to have an appointment ratification hearing or be involved in the process more widely?

Francis Maude: Ordinary pre-appointment scrutiny will operate, clearly. It sounds like you have got some ideas about how that might be enhanced, which we will obviously look at.

Q334 Charlie Elphicke: What I am trying to get at is: in, I think, the OBR, the Treasury Select Committee had to approve the appointment of Mr Chote, if I recall correctly. Is the intention to allow this Committee to have a similar process in relation to the head of the authority?

Francis Maude: The difference with the OBR appointment over ordinary scrutiny was that they had a veto, whereas ordinarily the Select Committee can make a recommendation, and I think it has only once happened that the Government—it was the last Government, I stress—has ignored the Select Committee's recommendation. We will look at that. I

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absolutely understand the case and the argument, and we will consider it.

Q335 Chair: Thank you. Finally, on the issue of pre-release, it was the policy of Her Majesty's Official Opposition to look at the whole question of pre-release of statistics to Government departments much more rigorously than is now the Government's policy. Why is this?

Francis Maude: The pre-release rules are much more stringent than they used to be. Gus will be more familiar with the detail of how they operate now.

Chair: But they are not the same as what you personally advocated when you were in opposition.

Q336 Paul Flynn: Having sat through the entire Bill that went through—the Statistics Bill—I saw your representatives from the Conservative party and the Lib Dem party constantly advocate getting rid of the pre-release period, rightly pointing out that, if you are going to have faith in Government statistics, you should not continue to allow the Government Ministers and advisers to have 24 hours in which they can spin their reaction to it. This was your consistent position—Dominic Grieve said so—and if we are going to build up faith in the integrity of Government statistics, we must get rid of that pre-release period; otherwise, the accusation will come again, as it came before, that the Government is spinning the figures before their release. Why on earth should there be a pre-release period?

Francis Maude: They are not spinning them before they are released because—

Q337 Paul Flynn: Why do you want 24 hours, then, to have the figures before anyone else does?

Francis Maude: I think, certainly in relation to some economic statistics, there has always been a view that it is important to have some interpretation around—

Q338 Paul Flynn: This is not what you said in Opposition. This is not what you said before you were elected.

Francis Maude: Gus, do you want to deal with this?

Sir Gus O'Donnell: Sure. It is complex, because you are looking at some statistics that are, on the face of it, difficult to explain and you need to understand the detail behind them, and understand whether this is a matter that is just because of seasonal effects or something else. We have reduced the amount of time and the number of people who have access to figures on the pre-release, so there have been changes, but Ministers decided to keep a certain amount of time and a certain, smaller number of people—

Q339 Chair: Isn't that the problem? So long as this remains a decision for Ministers, isn't this suspicion inevitable, and shouldn't, actually, the whole question of pre-release be handed over to the UK Statistics Authority for them to determine when Ministers and civil servants can make representations? Isn't there a bit of a conflict here? Here we are, we have just been talking about data, openness, transparency, and now, when the really hot stuff is coming out, "Oh, no, we cannot let the people have that straight away. We have

got to have a chance to look at it and make sure we really understand it so, when it comes out, we know exactly what to say." I know that Government is a very difficult and pressured process, but shouldn't this be handed over to the UKSA to regulate?

Francis Maude: I am perfectly sympathetic to what you are saying, and I completely understand the argument.

Q340 Paul Flynn: In 1988, I was approached by a group of statisticians from my constituency who were very concerned that their department was being transferred, I believe, from the Cabinet Office to the Treasury—the department that had the greatest vested interest in fiddling the figures—and I wrote to Margaret Thatcher at the time about that. That suspicion has gone on all that time, and the great problem that the UK Statistics Authority was meant to address was the fact that there is very little credibility in Government statistics: people just do not believe. They believe that politicians fiddle the figures, and what you are doing is adding to that, unless you get rid of the pre-release period.

Francis Maude: I contest that there is no trust in Government statistics—there is. There is a high level of trust in them. While I understand and have listened sympathetically to the arguments about pre-release—and I do absolutely understand the argument—I do not believe, actually, that that contributes hugely to any loss of trust in statistics, but I understand the case.

Paul Flynn: Would you ask the Authority—

Chair: We are running out of time, I am afraid.

Q341 Kelvin Hopkins: Just on this point, if we want transparency, should we not have transparency as to how the statistical authorities calculate the statistics, so they can explain—not the politicians but the statisticians—how they do it? Like seasonal adjustment, for example; if that was explained by the statistics people and not by the politicians, people would trust it.

Francis Maude: I think it does happen to a much greater extent now, doesn't it?

Sir Gus O'Donnell: That is exactly what happens. Let me give you the example of, I suppose, the most recent, when the GDP figures for the fourth quarter were a shock to the market. The market's forecast was absolutely right, apart from the sign. That was met by the statisticians giving a press conference at the ONS, and they explained the details of the figures, the make-up, the adjustments they had made and all the rest of it, and the fact that, when we put out the first release of Q4 numbers, you have not got all the data so you are market some estimates, and they will be revised. We put out a flash estimate rather ahead of other countries, so it is somewhat more unreliable, but it gets better, obviously.

Q342 Kelvin Hopkins: I trust Michael Scholar but I do not trust SpAds in Government departments.

Sir Gus O'Donnell: This is really—

Chair: There is no need to respond to that.

Sir Gus O'Donnell: Just one thing: this is Jil Matheson. This is the ONS. There is a board up there, but you are kind of—

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Kelvin Hopkins: Yes, fair enough.

Chair: She may be on our side on this one, though she may not be able to say so.

Q343 Charlie Elphicke: Sir Gus, you are sitting, I believe—or will be sitting—on the panel in relation to the recruitment of this person. Can I urge some things on you in the light of the National Security Council, or can I ask you—

Chair: We are about to discuss who is on the panel.

Charlie Elphicke: Fair enough, but if you were to be on the panel, could I ask you for your view—

Sir Gus O'Donnell: Which particular job are we talking about now?

Q344 Charlie Elphicke: This one—Chair of UKSA. If you were on this particular panel, could I ask you: in the light of the National Security Council appointment, do you think it would be healthy not to have a retread civil servant; to have someone who is in favour of the principle that the data belongs to the people and not to the experts, and that the popularisation of data should happen as much as possible? Also, I would hope serious consideration would be given not to being the usual old man, but maybe this time we should have a woman.

Sir Gus O'Donnell: Your reference there to the National Security Council—did you mean the National Security Council?

Chair: You mean the National Security Adviser, I think.

Charlie Elphicke: Yes.

Sir Gus O'Donnell: The National Security Adviser. I am sorry. I think there is a job description, which the

panel will be looking at and asking who best meets that, and we will advertise it openly and fairly, and we will do it on the principle of meritocracy. You seem to be wanting this person to adopt certain attributes related to current Government policy, and yet, as I understand the Chairman and many other people, they want this person to be strongly independent of Government policy, so I kind of put that challenge back to you as to precisely what you want.

Chair: Touché.

Sir Gus O'Donnell: But we will be looking for the best possible person. You talked about retreats from the Civil Service, and yet, at the same time, we are saying Michael Scholar did a tremendous job, which he absolutely did. I think it would be wrong to rule out any particular group, but I strongly agree with your point about gender. I am very proud of the fact that, if you look at the Civil Service and look at what we have done with permanent secretaries, the proportions are incredibly good and, when you look at the FTSE 100 executive directors, they are 5.5%—2% for FTSE chairs.

Charlie Elphicke: Trade unions are shocking too. They are Luddite dinosaurs dominated by old men and it is a disgrace. That should be dealt with as much as corporates.

Chair: I think that is moving off the point. We may well report on this question of the role of UKSA and the chairmanship of UKSA. We will be taking further evidence and we may do a call for evidence. May I thank you all very much indeed for coming and joining us this morning? I think it has been a very productive session. Thank you to my colleagues as well.

Written evidence

Written evidence submitted by Professor Christopher Hood and Dr Martin Lodge

THE “POST-BUREAUCRATIC AGE”: SOME ANALYTIC CHALLENGES CHRISTOPHER HOOD¹ AND MARTIN LODGE²

SUMMARY

1. The term “post-bureaucratic age” is no less ambiguous than the word “bureaucracy” itself. The term encompasses at least four possible recipes for organizing government and public services delivery, not a single one.

2. Effective policies for developing “post-bureaucratic” forms of government and service delivery methods of government or public service delivery can depend on the development of various kinds of institutional infrastructure, can lead to a blurring of subsidiarity and service abandonment if transitions are not effectively managed, and other unexpected outcomes can occur when such policies get caught up in cultural conflicts.

3. Principles of “good governance” should start from basics such as the rule of law, fairness and efficiency rather than the use of particular technologies or administrative techniques, and such principles should be selected because of their substantive performance rather than by ease of measurability.

THE TERM “POST-BUREAUCRATIC AGE”: STRONG EMOTIVE OVERTONES, ELUSIVE CONNOTATIONS

1. The adjective “post-bureaucratic” does not have a single, well-understood, canonical meaning. The terms “bureaucracy” and “bureaucratic” are used to mean several different things—one respected author,³ for instance, describes bureaucracy as “a term of strong emotive overtones and elusive connotations”—and the same necessarily applies to the term “post-bureaucracy.”

2. The term “bureaucracy” is said to have been coined by Vincent de Gournay in the eighteenth century to denote rule by officials,⁴ but the term has also been used to denote other things, including a particular type of organization, a part of an organization, administrative efficiency or inefficiency (to mention only a few). If “post-bureaucracy” is some antonym of “bureaucracy”, its connotations can be expected to be equally elusive. If fact they may be more so, because given the generally negative connotations of the word “bureaucracy”, many interest groups and service providers have a rhetorical interest in attaching the term “post-bureaucratic” to their own particular agendas, products or services.

3. At least the following four policy approaches have been or could be described as “post-bureaucratic”:

- (i) The pursuit of the “subsidiarity principle” (entrenched in the constitutions of some European countries, enunciated by the famous 1891 Papal Encyclical *Rerum Novarum* and developed in numerous subsequent encyclicals) which broadly holds that government should only perform those functions that exceed the capacity of individuals or private groups acting independently, and that public services should be as local as possible. Where the subsidiarity principle is entrenched in law or policy, local, independent or private providers can challenge the right of central, government or public organizations to provide particular services, such as education or social care.
- (ii) The abandonment of certain services or activities by state organizations, such as rationing, censorship, vaccination, flood defences, seasonal weather forecasts, without arranging for alternative forms of provision.
- (iii) The conduct of government or public services (whether by public organizations or other providers) with maximum public participation, for example over budget setting.
- (iv) Organizing government or public services in ways that put as little emphasis as possible on the specific legal powers of the state (that is, powers to compel, forbid, permit and punish that are not available to private parties using contract or tort law) or on direct action by state organizations, preferring instead to use policy instruments that are not specific to government, such as price incentives or the use of information or exhortation.⁵ An example is recruitment of soldiers on the open labour market rather than by conscription.

4. As far as we can tell, the term is being used in current policy debate in the UK in all of these four senses, but they are not the same thing and they have rather different implications for government organization and competency.

¹ University of Oxford

² London School of Economics and Political Science

³ Albrow, M (1970) *Bureaucracy*, London, Pall Mall

⁴ Adding another type of rule to Aristotle’s classic three-part distinction of rule by a single person, rule by a small group and rule by many people

⁵ See for example Hood C and Margetts H (2007) *The Tools of Government in the Digital Age*, London, Palgrave Macmillan

 POLICIES FOR “POST-BUREAUCRATIZATION” AND THEIR CONSEQUENCES

5. At least three points that can be drawn from the literature relating to the four types of “post-bureaucratic” policies described in paragraph 3 above. They concern the sort of legal and administrative infrastructure that is needed for such policies to succeed, the importance of effective management of transitions from one pattern of provision to another, and the unexpected effects that can result when such policies are introduced in an atmosphere of cultural conflict.

6. **Infrastructure.** Ironically perhaps, moving effectively to “post-bureaucratic” methods of provision may itself require the existence of legal and administrative infrastructure. For example, before the unification of Germany in 1990, public services in the former GDR (such as hospitals, welfare organizations, schools, clubs) were provided by a centrally run and funded party organization. After German reunification, a policy embracing the subsidiarity principle proceeded first by moving formal authority for the provision of such services from central government to local authorities, and then to move the delivery role from state to non-state organizations such as churches. But that dramatic shift of delivery responsibility did not just happen. It depended on at least three types of institutional infrastructure, namely (i) a clear template for such provision in the form of established West German law and practice; (ii) a focus on training and transfer of people with the relevant experience; (iii) the reimposition of the church tax in the former GDR.

7. **Transitions.** However well-intentioned, policies intended to shift patterns of service provision from one set of organizations to another can unintentionally produce a blurring between subsidiarity and service abandonment if the transition is not carefully managed. A well-known example is the progressive development of the “care in the community” principle in the UK from the 1950s to the 1990s, in the form of a policy of treatment and care for physically and mentally disabled people in their own homes or half-way houses rather than in residential or long-stay institutions. That policy reflected a mixture of desires to cash-limit public expenditure on social care, to develop a mixed economy of social care and to redefine the continuing care of elderly and disabled people as the responsibility of local authorities rather than the NHS. The policy was controversial because of perceived underlaps between local authorities and the NHS and a few heavily-publicized cases of attacks by mentally ill people not in institutional care. Even after an overall regulatory framework had been developed in the form of the 1990 National Health and Community Care Act, the operation of the policy continued to be controversial, with widespread claims of under-funding, poor collaboration between health and social services authorities on the ground, and patients slipping through the net to end up homeless on the street.⁶ That experience provides a pointer to some of the challenges faced by such policies for “post-bureaucratization”.

8. **Other unexpected policy outcomes.** The outcome of policies designed to foster “post-bureaucratic” arrangements can be shaped by cultural and other types of conflicts. Perhaps the best-known example of a policy embracing the maximum community participation principle ((iii) in paragraph 3 above) is the “Great Society” programme pursued under Presidents Kennedy and Johnson in the USA in the 1960s, and specifically the policies pursued by the Office of Economic Opportunity, which aimed to foster and encourage local community initiatives and projects (such as free schools) and which embraced the principle of “maximum feasible participation” by the affected stakeholders and communities (indeed, that principle was formally written into the 1964 OEO Act). The programme was however launched into a cultural environment of radical activism and militant groups challenging the orthodox institutions of elected government, and unintentionally served as a fillip for such anti-state challenges before Congress eventually managed to shut off the funds and wind up the programme.⁷ That example indicates that such policies, however well-intended and high-minded they may be (as certainly applied in that case), can have unanticipated and unintended consequences if they fall foul of cultural conflicts.

“GOOD GOVERNANCE” AND THE EVALUATION OF POST-BUREAUCRATIC AGE POLICIES

9. Principles of good governance can in principle be applied to individual conduct, the operation of individual organizations or to systems of government more generally, and it needs to be made clear which of those levels any given list of good governance principles applies to. But it seems important to start with the basics such as the rule of law, fairness and efficiency rather than the use of particular technologies or administrative techniques. Accordingly, criteria for evaluating the quality of policies aimed at “post-bureaucratization” in some or all of the senses identified in paragraph 3 above should at least include the following:

- **the rule of law:** bureaucracy has been defined by some as a form of organization designed to promote the rule of law,⁸ but of course there are many cases of state organizations that fall short of promoting the rule of law. The question of whether it fosters, maintains or undermines the rule of law should be a key criterion for evaluating policies of “post-bureaucratic” governance;

⁶ See for example Hadley R and Clough R (1996) *Care in Chaos: Frustration and Challenge in Community Care*, London, Cassell; Lewis, J and Glennerster, H (1996) *Implementing the New Community Care*, Buckingham, Open University Press; Means, R and Smith, R (1998) *Community Care: Policy and Practice*, 2nd ed, London, Macmillan.

⁷ For a graphic and controversial account, see Moynihan, D P (1969) *Maximum Feasible Misunderstanding: Community Action in the War on Poverty*, New York, Free Press

⁸ Weber M (1948) *From Max Weber: Essays in Sociology*, tr and ed Gerth H and Mills C, London, Routledge and Kegan Paul. Others who have made the same point include Jeremy Bentham (see Hume L (1981) *Bentham and Bureaucracy*, Cambridge, Cambridge University Press) and Rothstein, B and Teorell, J (2008) “What is Quality of Government? A Theory of Impartial Government Institutions” *Governance*, 21(2): 165–90.

- **honesty and integrity:** some critics of traditional bureaucracy⁹ have asserted that it puts too much weight on honest rather than effective government, but even if there is some room for debate about that trade-off, another important criterion for evaluating any policy of “post-bureaucratic” government must be the degree of honesty and integrity that it produces;
- **equity and accessibility:** the principle of equitable treatment, particularly of those with a good claim to be considered vulnerable, is another key criterion for evaluating “post-bureaucratic age” governance policies, and the debate over the Care in the Community experience noted in paragraph 7 above indicates its importance;¹⁰
- **economy:** prudent use of public resources is a well-established principle for the evaluation of public services, embracing both efficacy (do the resources invested deliver the intended effects, rather than no effects or reverse effects?) and efficiency (do the resources invested deliver those effects at least cost relative to benefits?); and
- **resilience:** the provision of services that are robust, in the sense of ensuring continuity and adaptation to new or adverse conditions without breakdown, is a further key principle for evaluating the quality of governance and public services, and fragile or intermittent services can also pose threats to equity and rule of law.

10. The principles set out in paragraph 6 above seem to us to be key elements for evaluating the implementation of “post-bureaucratic age” initiatives.¹¹ It is not obvious that measurability ought to be the primary criterion in selecting principles of good governance. The important thing is to identify the right principles on which debate and evaluation ought to centre, rather than simply those that are easily measurable, because the latter route too easily leads into a classic measurement trap. We readily accept that these principles are likely to conflict with one another, presenting difficult trade-offs. The key weakness of most lists of “good governance” desiderata is that they fail to acknowledge trade-offs among a set of principles each of which appears unexceptionable on its own, let alone giving any guidance as to how such trade-offs should be made. In any representative democracy the responsibility for making those trade-offs ought to lie with elected representatives rather than with non-elected service providers. If those trade-offs are made by the latter, policies aimed at weakening rule by officials of one kind or another—the original meaning of the term “bureaucracy”, as noted above—may unintentionally serve to strengthen or extend such rule. That strikes us as the key governance challenge for the putative “post-bureaucratic age”.

January 2011

Written evidence submitted by the Institute for Government (IFG)

SUMMARY

1. The Institute for Government’s research on civil service reform suggests that:
 - (a) The scale of reform—and downsizing—facing the civil service is bigger than anything seen since the Second World War.
 - (b) The civil service faces a critical challenge: how to deliver “better for less”. Yet, there is limited experience of undertaking large scale transformation in Whitehall.
 - (c) Two longstanding issues for Whitehall also need to be addressed: a lack of strategic capacity at the centre of government and difficulty in co-ordinating policy and delivery across departments.
 - (d) Current governance arrangements vary greatly in their effectiveness between departments. In particular, departmental boards suffer from not having a well defined role and should be focused on performance and financial management.
 - (e) Looking ahead, governance will need to adapt to reflect shifting forms of accountability and different roles for the civil service as the vision for the Big Society is realised.

INTRODUCTION

2. The Institute for Government is an independent charity helping to improve government effectiveness. We work with all the main political parties in Westminster and with senior civil servants in Whitehall, providing evidence-based advice that draws on best practice from around the world.

⁹ For example, Niskanen, W (1971) *Bureaucracy and Representative Government*, Chicago, Aldine Atherton

¹⁰ A relevant example of a framework drawn from many years’ experience of responding to complaints about injustice and poor administration is the UK Parliamentary Commissioner’s “principles of good administration”, namely accuracy, consumer focus, openness and accountability, fairness and proportionality, effective remediation of mistakes and errors, and continuous improvement. See Annual Report of the Parliamentary and Health Service Ombudsman 2007–08, HC 1040 2007–08, p.14,

¹¹ Those principles reflect basic and recurring administrative values. See for instance Hood C and Jackson M (1991) *Administrative Argument*, Aldershot, Dartmouth and Hood C (1998) *The Art of the State*, Oxford Clarendon

3. Civil service reform and good governance is a core part of the Institute's work. The Institute has published several reports which are directly relevant, including:

- (a) *Shaping Up: A Whitehall for the Future*.¹²
- (b) *Smaller and Better? Whitehall after the cuts*.¹³
- (c) *The state of commissioning: preparing Whitehall for outcomes-based commissioning*.¹⁴
- (d) *Six steps to making Whitehall boards work*.¹⁵

This submission draws on and summarises all of this work.

SCALE OF CIVIL SERVICE REFORM

4. Civil service reform has been an almost constant theme since at least the 1980s when Margaret Thatcher argued that Whitehall was overstaffed, inefficient and badly managed. The ambition set out by the incoming Conservative government over the period 1980 to 1984 was to cut civil service numbers by a little over 10%.¹⁶ However, the scale of reform facing the civil service at this moment is potentially far greater. The current period combines a strong political commitment to change at the same time as the largest reduction in public spending in the UK since at least the Second World War.¹⁷

5. The Government has made it clear that its first priority is to deal with the deficit, and has already taken steps to reduce government spending. Taken together, the June Emergency Budget and the Spending Review will result in an overall cut in public spending of £81 billion over the next four years. Unprotected departments have an average overall settlement reduction of 20%,¹⁸ and all departments have committed to at least a one third reduction of their administrative spending. Though there are obviously variations in approach by department, this will broadly result in annual administrative spending reductions of 6–8% for the next four years. The government is looking to do “better”, and in some cases very different things, “for less”, which will undoubtedly lead to reductions in the number of civil servants in Whitehall departments and their arm's length bodies.

6. However, this Government's plans for Whitehall go well beyond spending cuts and headcount reductions. The Prime Minister has spoken of his desire to “turn government on its head”.¹⁹ There have already been major reforms to public services as part of the move towards a “Post-Bureaucratic Age” and the Big Society. These will have major implications for the future functions, structures and accountability mechanisms across the civil service.

7. Given this context, the civil service faces at least four major issues: addressing existing challenges, improving current governance arrangements, managing the transformation process and reshaping itself for new roles in the future. We address each of these in turn below.

EXISTING CHALLENGES IN THE CIVIL SERVICE

8. In *Shaping Up*, we identified three key challenges facing the civil service:

- (a) A lack of strategic capacity at the “centre” (Cabinet Office, HM Treasury and No. 10) to create and maintain a whole of government strategy that sets out priorities for an entire parliamentary term
- (b) Mechanisms for co-ordinating policy and delivery between departments are still dominated by siloed thinking, making it difficult to manage cross-cutting policy issues
- (c) Governance within departments remains variable across the civil service.

9. Our research found that, in an international context, the UK's model of government emphasises both a strong Prime Minister and strong departments with wide-ranging autonomy to spend budgets, recruit employees and manage delivery systems. The downside to this model of strong line ministries is that the central institutions possess few tools beyond the brute force of political edict to make sure that a fragmented government adds up to more than the sum of its parts. Indeed, central government departments are under pressure to change as politicians aim for a smaller, more strategic Whitehall. The Cabinet Office, in particular, needs to clarify its value-adding role. We suggested it might be more effective as a “department of strategy and capability” with a remit to work collaboratively with Cabinet and departments to set out a strategic framework of high-level goals to guide the work of government and build the capability necessary to realise ministers' top priorities.

¹² Parker et al: *Shaping Up: A Whitehall for the Future* (<http://www.instituteforgovernment.org.uk/pdfs/shaping-up-a-whitehall-for-the-future.pdf>)

¹³ McCrae et al: *Smaller and Better? Whitehall After the Cuts* (http://www.instituteforgovernment.org.uk/pdfs/smaller_and_better_whitehall_after_the_cuts.pdf)

¹⁴ Moss, I: *The State of Commissioning: Preparing Whitehall for Outcomes Based Commissioning* (http://www.instituteforgovernment.org.uk/pdfs/the_state_of_commissioning.pdf)

¹⁵ Quinlan et al: *Six steps to making Whitehall boards work*

¹⁶ The aim was to reduce civil service headcount from 707,000 in 1980 to 630,000 in 1984. This was to be achieved by reducing the workforce cost by 2.5% each year.

¹⁷ Please see McCrae et al: *Smaller and Better? Whitehall After the Cuts* (http://www.instituteforgovernment.org.uk/pdfs/smaller_and_better_whitehall_after_the_cuts.pdf)

¹⁸ Chancellor's Spending Review Statement, 20 October 2010

¹⁹ David Cameron, “Big Society Speech” Liverpool 19 July 2010 (<http://www.number10.gov.uk/news/speeches-and-transcripts/2010/07/big-society-speech-53572>)

10. Delivering joined-up government is difficult because Whitehall is not a unitary entity but a federation of departments. It is designed predominantly along departmental lines for the purposes of budget allocation, accountability and career development. Cross-cutting issues such as social exclusion or childhood can all fall through the gaps. We recommended that government should address this problem by: making changes to appraisal and line management arrangements to create stronger incentives to collaborate; facilitating the sharing of information and other resources; and appointing a small number of Secretaries of State who are directly responsible for the most important cross-cutting issues, sitting outside departments but with their own pooled budgets (though the overall number of ministers should not increase).

11. These issues remain critical as part of any civil service reform. The specific challenge of improving governance arrangements in Whitehall is addressed in more detail below.

CURRENT GOVERNANCE ARRANGEMENTS AND CHALLENGES

12. Good governance is important to ensure that the civil service functions effectively, particularly during periods of major reform. Over the last 24 months, we have run a stream of work analysing the functions, structures and performance of Whitehall boards. In earlier research, we explored board effectiveness, looking at capability reviews and staff survey results (asking staff whether they feel their department is well run). Results of this analysis showed that the quality of leadership varies widely across Whitehall. At one end of the spectrum, less than 30% of staff at DCMS think the department is well run, compared to two-thirds at HM Treasury.²⁰ Averaged across all departments, less than half of staff feel their department is well managed. The quality of departmental leadership, as measured by staff surveys, is a crucial proxy for the effectiveness of departmental boards. While these numbers encompass a spectrum of leadership positions, they are a poor reflection on the most senior levels of government and emphasise the importance of improving governance at the top of departments.

13. Our research suggests that in addition to highly variable performance, the very role of boards remains ill-defined across Whitehall. We found that the best boards focus heavily on performance management and meet regularly with ministers to shape joint strategy but there are several common barriers to board effectiveness, including poor engagement with ministers, lack of challenge in board discussions, ineffective use of non-executive directors (NEDs) and accountability arrangements. We made a number of recommendations, most importantly:

- (a) Creating a joint strategy board to be chaired by the Secretary of State.
- (b) Strengthening the role of NEDs.
- (c) Empowering finance directors.
- (d) Establishing a comprehensive evaluation and development programme for boards.

14. The importance of board performance has been recognised by the new government, and plans to reform departmental boards are currently underway. Shortly after the general election, the Cabinet Office outlined the Coalition's vision for governance reform, publishing an enhanced protocol for departmental boards. The protocol represents the first true shake-up of Whitehall boards, and is buttressed by strong political support from Francis Maude and David Cameron. The protocol will introduce several significant changes including:

- (a) Installing Secretaries of State as Chairman of their department's board.
- (b) Altering the composition of boards to include junior ministers.
- (c) Reducing the number of officials.
- (d) Creating the new position of lead non-executive director for each board.

15. However, whilst the current plans are a step in the right direction, there is a great deal more that needs to be addressed. Based on the results of our interviews with board members, and taking into account all aspects of the Cabinet Office's new boards' protocol, we think the following steps should be taken:

- (a) Address the lack of clarity surrounding role and responsibility in some boards.
- (b) Ensure Secretaries of State take their new role as Chair seriously and perform well.
- (c) Make all aspects (within reason) of board business and performance transparent.
- (d) Require annual evaluations of board performance, including regular external review.
- (e) Make lead NEDs central in the appraisal of board members, as well as the recruitment process.

MANAGING TRANSFORMATION

16. Given the scale of change and downsizing required, virtually all departments will be undergoing major change programmes. Simply relying on natural wastage and recruitment freezes is unlikely to achieve the slimming down required in most departments. Moreover, this would not achieve the transformation in Whitehall that the Government is seeking. However, with almost universally rising budgets for departments since 1999, there is very limited experience in the UK civil service of successfully undertaking transformations on anything like a comparable scale to what is now required.

²⁰ Parker, et al: State of the Service, 2009

17. The most successful example we have identified where outcomes have been measured is the transformation within the Department for Work and Pensions between 2004 and 2007. According to the National Audit Office report the department achieved: £1.446 billion efficiency savings (£1.068 billion cash releasing), a headcount reduction of 31,100, relocation of over 4,000 posts from London and the South East two years early and redeployment of 10,000 staff to customer facing roles.²¹ Moreover, productivity was found to have increased by about 15% between 2004/05 and 2007/08.²² Whilst this suggests that major improvements are possible in the civil service whilst reorganising and slimming down, even this is on a smaller scale than is likely to be required over the coming years.

18. We are currently working with the Ministry of Justice to evaluate its change programme “Transforming Justice”, which was initiated in February 2009.²³ It is too early to have produced easily measurable results, but our research gives a qualitative insight into the challenges of leading major change programmes can. The Institute’s evaluation shows that leadership and building capability are vital components in ensuring progress at all stages of transformation. The Ministry of Justice addressed this through having a dedicated and accountable lead for change at board level and the formation of a cohesive “change coalition” of influential senior staff from across previously disparate business groups. Staff from across the departments were empowered to drive change themselves, with 1,000 staff signed up as advocates of Transforming Justice.

19. Our evaluation is ongoing and can provide insights for those planning further transformation in the Ministry of Justice and across Whitehall. We intend to share our findings as we complete interim stages of the research.

LOOKING FORWARD

20. Moves towards a Post-Bureaucratic Age and the Big Society imply the need for a civil service which is more strategic, enabling and transparent, as public service provision becomes more diverse and closer to the citizen. This will have major implications for governance both in terms of shifting roles for the civil service and more complex accountability structures.

21. One of the most important shifts in the role of the civil service will be the significant acceleration from delivering services to commissioning them with payments by results based on achieving a defined set of outcomes.²⁴ Whitehall will, if it achieves this successfully, shift its skills base from one that prescribes treatment to one which sets outcomes and structures markets. Whitehall must have a workforce that is rewarded, incentivised and expert in its knowledge so that it can develop a complete understanding of users, communities, external delivery chains and local markets in the delivery of services. It needs to face much more out of Whitehall and be ready to reflect up the experiences of those users and markets to shape the Government’s approach to commissioning and funding. To ensure ongoing good governance of markets in the provision of public services, the same rules that apply to the publishing of Government data and statistics should apply to organisations commissioned to deliver public services.

22. Civil servants and front line services will need to respond to an increasingly complex web of accountability, even as top down performance management reduces. The government’s reform plans include changes to accountability arrangements, such as the introduction of elected police commissioners and publication of spending information, which encourage accountability to flow outwards to citizens and communities rather than upwards to Whitehall. In some cases, such as the expansion of academy schools, reforms are creating a more direct relationship between ministers and front line services. Despite these changes the government remains committed to ministerial accountability to Parliament, which provides the overwhelming majority of funding for public services. Meeting the principle of accountability to Parliament without compromising the operational independence of decentralised services or constricting new sources of accountability will be a challenge. Ministers, civil servants and parliamentarians will need clarity about who is accountable, for what, and to whom; as well as about who is responsible for stepping in if things go wrong, and in what circumstances.

23. The Institute looks forward to supporting PASC with this inquiry in any way we can.

January 2011

²¹ NAO: Performance of the Department for Work and Pensions 2008–09

²² DWP: An analysis of the productivity of the Department for Work and Pensions 2002–03 to 2008–09 (<http://www.dwp.gov.uk/docs/productivity-paper-2010.pdf>)

²³ See Gash and McCrae: Transformation in the Ministry of Justice: 2010 Interim Evaluation Report (http://www.instituteforgovernment.org.uk/pdfs/transformation_in_the_ministry_of_justice.pdf)

²⁴ See Moss, I: The State of Commissioning: Preparing Whitehall for Outcomes Based Commissioning (http://www.instituteforgovernment.org.uk/pdfs/the_state_of_commissioning.pdf)

Written evidence submitted by Reform

1. What is meant by the term, “post-bureaucratic age” and what are its implications for good governance, for Whitehall Departments and for the wider civil service?

The “post-bureaucratic age” (PBA) seeks to change the role of the State in three ways:

- by decentralising power from Whitehall to local communities;
- by increasing the accountability of the government to the citizen through transparency; and
- by driving up the responsiveness of public services.

In his speech describing the PBA on 22 February 2010, David Cameron has described the shift as being “all about people power, not big government”.²⁵ It is tied closely to the Government’s theme of the “Big Society”.

Its implications can be summarised as follows:

- For good governance: for changing the role of government from the funder and manager of public services to the funder alone. This would prevent conflicts of interest and increase value for money and performance.
- For Whitehall departments: a radical change in focus away from direct responsibility for “delivery” towards the creation of economic frameworks for delivery of public services. This would require much stronger abilities in economics, law and financial management.
- For the wider civil service: for public servants, a shift from traditional employment in the public sector to employment in new kind of organisations, whether for-profit, charitable, joint ventures, social enterprises and so on.

2. Can the traditional “Whitehall” model of civil service governance and accountability continue to function effectively in the post-bureaucratic age?

No. The traditional Whitehall model is contradictory to the themes of the post-bureaucratic age.

Ministers of the previous Government came to the conclusion that reform of Whitehall was necessary to support the wider reform agenda. In 2007, for example, Alan Milburn, the former Secretary of State for Health, said:

“Whitehall is the one part of the public services that has largely escaped Tony Blair’s reforming zeal. It should do so no longer. The same disciplines that nowadays apply to other parts of the public services should finally and equally be applied here. Departments should work to transparent outcome-based contracts agreed with No 10. Senior civil servants pay should be made more dependent on performance against such contracts. Where Whitehall functions (aside from those covering vital constitutional and propriety matters) can be subject to periodic external competition they should be.”²⁶

These Ministers’ conclusions were based on the following ideas:

- Where the PBA aims to decentralise, the traditional Whitehall model is highly centralising. The doctrine of Ministerial responsibility pulls decision-making to the heart of Government and compels Ministers to extend their interest into the activity of civil society. The traditional Whitehall model has sought to give Ministers powers of direct intervention into the economy and the public sector. The PBA has exactly the opposite ambition.
- Where the PBA aims to create accountability, the traditional Whitehall model obscures accountability. The doctrine of Ministerial responsibility, again, is used as the defence of a model that keeps the contribution of individual civil servants invisible. The PBA seeks to make public servants personally accountable through transparency.
- Where the PBA seeks to create public services responsive to the user, the traditional Whitehall model seeks to impose central will on public services through targets, national standards, national pay and labour agreements and so on. The PBA would see an end to these expressions of central will.

It is interesting to see the development in the thinking of another Prime Minister with reforming ambitions, Tony Blair. He made two speeches on the Civil Service. In 1998, he praised the Whitehall model. By 2004, his praise was modified by a call for Whitehall to change radically.²⁷ Some of his ideas prefigured the PBA, in particular the idea that government should become “an instrument of empowerment” and should become accountable for outcomes:

- “Government has to become an instrument of empowerment, quick to adapt to new times, working in partnership with others, to deliver clear outcomes so that the public sees a return on its investment through taxation. It has to go through exactly the same process of change as virtually every other functioning institution in Britain... What does it mean in practical terms? It means the following:

²⁵ Cameron, D (2010), From central power to people power, 22 February.

http://www.conservatives.com/News/Speeches/2010/02/David_Cameron_From_central_power_to_people_power.aspx

²⁶ Milburn, A. (2007), *A 2020 vision for public services*. Speech at the London School of Economics.

²⁷ Blair, T (2004), speech on modernisation of the Civil Service.

- a smaller, strategic centre;
- a Civil Service with professional and specialist skills;
- a Civil Service open to the public, private and voluntary sector and encouraging interchange among them;
- more rapid promotion within the Civil Service and an end to tenure for senior posts;
- a Civil Service equipped to lead, with proven leadership in management and project delivery;
- a more strategic and innovative approach to policy; and
- government organised around problems, not problems around Government.”

In passing, it should be noted that the current Government’s policies on governance are therefore inconsistent. On the one hand, it espouses the post-bureaucratic age. On the other, it supports the traditional Whitehall model (“reforms” very minor variations such as new kinds of Departmental Boards leave the traditional model in place). In fact, as Francis Maude explained to the *Reform* conference on good governance in July 2010, he has sought to strengthen the traditional Whitehall model, for example by reducing the number of political advisers and consultancy advice.²⁸ The Government is therefore trying to delivering the post-bureaucratic age through the traditional bureaucracy. This is not easy and not likely to succeed.

3. *In what ways do civil service departments need to adapt to a post bureaucratic age, and in particular to the current Coalition Government’s decentralisation agenda?*

4. *What should the aim of civil service reform be at a time of significant change and reducing administrative budgets?*

5. *How can such reform be realised and sustained?*

In March 2009, the *Reform* report *Fit for purpose* set out the following agenda for a thorough reform of Whitehall that would support a wider, decentralising programme of government:²⁹

An effective Civil Service must have:

- *Effective performance management.* This would need a clear “failure regime” so that unacceptable performance is tackled and remedied. Managers need to be more effectively supported in managing out poor performers within their team, and rewarding those who perform well. This will necessitate a change in the role of HR and legal teams so that they support and assist managers and staff, rather than seeking to control the process as is more usual at present, and a revision of the Management Code that prescribes the dismissal processes of the Civil Service.
- *Open and flexible recruitment.* This would enable the best people to be recruited to do the jobs that are needed, for as long as they are needed to do the job. This is not an argument for abandoning the Civil Service commitment to generous pension provision, but in fact an argument for making it more flexible so as those who are not “lifers” can benefit as well. Indeed, the concept of “lifers” would need to end. The role of the Civil Service Commissioners would need to be modernised to become one of facilitating the opening up of the Civil Service and bringing real expertise in appointment. The top of the Civil Service would also need to require a more facilitative approach from HR to frontline managers. Promotion on merit and reward for expertise and aptitude. This would necessitate the reform of the promotion and recruitment system so that high-performing individuals could be better rewarded in post without having to move jobs.
- *Effective contractual management.* This would require a recognition that “contracting out” services is not an effective alternative to tackling the systemic inadequacies that the Capability Reviews reveal pervade the Civil Service. Specifically, if a service is contracted out, the quality of service that the public can expect will be substantively dependent upon the effectiveness of civil servants in managing the contracts. Redefining the role of the Civil Service “centre” as that of commissioner, rather than provider, can be part of a virtuous cycle of performance improvement, or a vicious circle of inadequate performance and a growing accountability deficit. The Civil Service needs to be reorganised to ensure it is the former. This would entail greater emphasis on effective contract management as a specialist skill with greater reward.

²⁸ Maude, F (2010), speech to the *Reform* conference *Reducing the deficit and reforming public services*, 7 July. “I am a big fan of the Civil Service. I spent seven years in government previously and I have a huge regard for our system of politically impartial, permanent civil servants. Advancement on merit, and the public service ethos which underpins it is really important and I really respect it. I do worship at the shrine of Northcote-Trevelyan and I am delighted that at last this year the Civil Service, in a slightly different form than was originally presaged in the Northcote-Trevelyan Report and 155 years late maybe, but hey, has got on the statute book and that’s good. But not everything is right in Civil Service at the moment and I sense that too often in recent years, civil servants have felt marginalised, partly because particularly in the early days special advisors interposed themselves to too great an extent between official advisors and Ministers, and partly because there was an over use of consultants. With anything difficult, no one could criticise you if you had a reputable firm of consultants in to do the work, but actually a lot of that work can be done by civil servants. They are really bright, capable people who like being stretched and who can actually pick up capability from doing these things. We will not only save a lot of money by the consultancy constraints we’ve put in place but we will also empower and encourage and re-motivate mainstream civil servants by doing this.”

²⁹ Rosen, G *et al* (2009), *Fit for purpose, Reform*.

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- *Effective policymaking.* Ministers need policy advice rooted in a detailed understanding of issues, both in breadth and depth. Policymakers need advisers who stay in a brief long enough to understand it, who have sufficient experience to place it in context, and who have sufficient insight into the front line to be able to advise on feasibility. These may not all be the same people. Ministers need an effective “challenge” mechanism to the “departmental view” of vested interests, to be able to get the best advice—whether it happens to be in the department or not—and to foster, capture and harness best practice. Innovation needs to be championed and embraced, from outside the system as well as from inside.
 - *Real rather than rhetorical localism.* Whitehall is overloaded and often lacks sufficient local knowledge and insight to give effective advice to Ministers so that informed decisions on local projects can be taken at national level. Devolution of decision-making has been much touted by politicians of all parties, but Whitehall caution, fuelled by examples such as the disastrous failings that allowed the tragic death of “Baby P”, mean that Ministers are usually persuaded of the need to “supervise” and “scrutinise”. The result is a “Russian doll” of competing bureaucracies scrutinising each other and a failure to tackle the lack of power that voters have to elect local politicians with the power to deliver real change at a local level. For localism to work more effectively, local authorities will need to address many of the same challenges that the Capability Reviews reveal to afflict Whitehall. If they succeed, Whitehall’s ingrained scepticism of the capacity of local authorities to deliver as effective services as can central government, will be all the harder to justify.

An empowered Civil Service requires:

- *Clear and effective processes for management and accountability.* There must be an end to the management opacity within the public sector whereby it is not clear who is responsible for what, who is accountable for what, and who is empowered to decide what. If Ministers are responsible, they should be empowered to decide. If officials decide, there needs to be a clear process of accountability.
- *Effective prioritisation and coherent decision-making.* It must be clear who can decide what at which level of government. Those making decisions should be able to call on whomsoever they want to seek advice and should be empowered to take decisions by a briefing process that provides sufficient insight and robust detail to enable effective decision-making. The relationships between and differing roles of Ministers, perm-secretaries, departmental boards and senior officials need to be clarified. A process needs to be agreed with Parliament so that departmental priorities can be clearly understood, monitored, scrutinised and held to account.
- *Tackling “quangocracy”.* The creation of non-departmental public bodies and other agencies has in itself been assumed to improve effectiveness and efficiency. The fiascos that have bedeviled the Rural Payments Agency, Children and Family Court Advisory Support Service and the National Assessment Agency’s handling of SATs show that setting up a public body at one remove from Ministerial meddling is not in itself sufficient to deliver adequate performance. Too often, “stakeholder consultation” has become a process of reaching accommodations with that apparatus, rather than a process of gaining the insights of the frontline workforce and adapting proposals to better meet the needs of the consumer, customer, voter or taxpayer.

An accountable Civil Service needs:

- *Political honesty.* The canard of objectivity needs to be ditched. The voting and taxpaying public have a right to expect that Ministers are given effective advice. No human being who cares about public service is “a-political”, though they may well be “a-Political”. Ministers should be able to choose and appoint their own advisers and private offices. The posts in private office need to be seen as jobs in themselves rather than merely as stepping stones in a career progression and should be recruited and appointed as such.
- *Checks, balances and effective democratic scrutiny.* Parliament should have greater scrutiny powers, with greater resources given to Select Committees to hold government to account and to enable them to investigate issues in greater depth so as to provide a counterweight to the official government view. It is simply undemocratic to suggest that civil servants themselves should somehow be a “check” on Ministers and block Ministerial ideas of which the media or public disapprove. The argument that Ministers need to be stopped from pursuing stupid ideas is an argument for greater parliamentary scrutiny and greater democratic safeguards, not for a limitation on Ministerial involvement in appointments.
- *Transparency.* The public fund the Civil Service yet they have no way of scrutinising the way it operates and determining if they are getting value for their money. Real accountability would be more possible with greater public access to the processes of the Civil Service, so that civil servants could be held directly accountable to the people.

6. *Is it possible to establish a set of key principles of good governance?*

Good governance will be achieved when all those involved in government are accountable for their performance. It is worth emphasising that other countries routinely hold civil servants personally accountable for performance, as the *Reform* report *Fit for purpose* set out:

- The UK has one of the most autonomous Civil Service systems in the world. Ministers are unable to appoint their own advisers and private secretaries in their offices, or to make Senior Civil Service appointments. As such, there is a lack of accountability at the senior level and the result is a lack of accountability down the line through a clear chain of command.
- Most countries have been evolving their Civil Service structures to modern times, moving towards systems with greater democratic accountability. In Australia, the Prime Minister appoints permanent secretaries after receiving a report from the Secretary of the Department of the Prime Minister and Cabinet (PM&C) who must first consult the relevant Minister. In the case of the appointment of the Permanent Secretary to the Prime Minister's Department, the Public Service Commissioner (a similar body to the Civil Service Commissioners in the UK) provides a report to the Prime Minister. Below senior level appointments are made by Civil Service managers.
- Most Australian permanent secretaries are career public servants, and are promoted from a pool of deputy secretaries and other senior civil servants. Though not prescribed, appointment generally involves extensive discussions between Ministers and existing permanent secretaries, and between the Prime Minister and Cabinet Ministers, building up a high level of understanding of the possible candidates for promotion among the top level of the senior Civil Service. They are appointed for flexible three- or five-year terms.
- This approach leads to a system where, according to Peter Shergold, former Secretary of the Department of the Prime Minister and Cabinet: "Secretaries are answerable, responsible and accountable (under their Ministers) for their departments. If there is organisational—as opposed to political—failure the buck stops with them. It is often tough but not unfair.
- In New Zealand, permanent secretaries are employed by the State Services Commissioner who appoints them after an independent merit process. They are employed under a contractual system whereby politicians set out contracts with civil servants to deliver according to manifesto commitments and staff are held individually accountable for results.
- Under the current British system, tenure is guaranteed rather than reflective of performance. The system of across-the-board horizontal grades acts to preclude talented civil servants to be promoted in post (the post would have to be re-graded and then re-advertised).
- Attempts at Civil Service reform have often been frustrated due to fears around "politicisation". It is crucially important to understand that the Senior Civil Service is already politicised. In the current system, the line between Permanent Secretaries and Ministers can be non-existent. Permanent Secretaries conspire with Ministers to achieve media coverage and attention through spending commitments and eye-catching initiatives. Ministers privately influence the appointment of senior officials. There is a glaring lack of transparency, which in turn limits accountability.

7. *Are these the right principles?*

The danger with any set of principles for Whitehall is that they entrench the existing model, however inadvertently.

The suggested principle 1) is clearly right. The suggested principles 2), 3) and 4) are wrong in that they would impose a particular style of operation on Whitehall which would inevitably conflict with its obligation to be accountable to its leaders and, through them, to Ministers. The new deal for Whitehall should be accountability for performance with the freedom to innovate in order to deliver better performance.

January 2011

Written evidence submitted by Professor David Richards and Professor Martin Smith³⁰

1. The Conservative/Liberal Democratic coalition came to power with an economic commitment to reducing the level of government expenditure and a political commitment to reducing the size of the state and opening up the provision of public services to a wider range of organisations—including the public, private and voluntary sectors. The principles underpinning the reconstitution of the state were the notion of the "Big Society" (which sees non-state actors and volunteers taking on greater responsibilities in terms of providing public goods) and the post-bureaucratic state (which is aimed at translating bureaucratic process into more transparent democratic and accountable services).

2. On one level, this agenda is not particularly new. Since 1979, governments in Britain have been attempting to reform the state in order to improve the effectiveness of government, to increase the efficiency of the civil service and to provide better public services whilst controlling costs. The last Labour Government's

³⁰ Department of Politics, University of Sheffield, UK

(1997–2010) rhetoric concerned improving the delivery of public goods, but it soon discovered it could only produce better services at a higher cost. The consequence was that Labour was vulnerable to the economic crisis precipitated by the banking crisis of 2008. Labour's social and welfare policy was built on the foundations of private and public debt supported by encouraging a finance-driven economic policy. The economic downturn therefore not only threatened Labour's welfare policy but also its electoral coalition based on supporting public expenditure but limiting increases in personal taxation.

3. Governments have been attempting to pluralise service delivery and reduce the role of the state in the direct provision of services for a considerable number of years. Like the Coalition, the previous government also intended to increase localism and allow managers greater discretion. The Conservative/Liberal Democratic coalition is committed to continuing these processes of reform and reducing the role of the state through:

- *Reforming the Civil Service.* The introduction of new departmental boards across Whitehall involving non-executive board members drawn from outside of the Civil Service with experience of running large companies. The Prime Minister's Delivery Unit was abolished and replaced by a new Implementation Unit located in Number 10, directed by Kristina Murrin, a former psychologist and television presenter. It is a moot point as to the extent to which this is a real as opposed to a superficial change, given that Ian Watmore, the former Head of the Delivery Unit is now the Implementation Unit's Permanent Secretary. To deliver this change and also review departmental costs and spending, an Efficiency and Reform Group [ERG], located in the Cabinet Office was created in June 2010, chaired by Francis Maude, the Cabinet Office Minister, alongside three members drawn from outside Whitehall—Peter Gershon [Tate and Lyle], Lucy Neville-Rolfe [Tesco] and Martin Read [Lloyds of London].
- *A shift from bureaucratic accountability to democratic accountability.* The Coalition proposes what it sees as a new mode of governance based on direct accountability to the public through enhanced transparency. The claim here is that the Government has a:
 - ...commitment to enable the public to hold politicians and public bodies to account; to reduce the deficit and deliver better value for money in public spending; and to realise significant economic benefits by enabling businesses and non-profit organisations to build innovative applications and websites using public data. (David Cameron 2010a).

Government and public sector web sites provide the key mechanism through which this process has been rolled out. The proposals include at central government level the on-line publication of: all new ICT contracts; all new tender documents for contracts over £10,000; new items of central government spending over £25,000; all new central government contracts; and all UK international development spending over £25,000. At the local level, transparency now includes: all new items of local government spending over £500; and new local government contracts and tender documents for expenditure over £500. Elsewhere, other key government datasets to be published on-line include: localised crime data; names, grades, job titles and annual pay rates for most Senior Civil Servants and NDPB officials with salaries above £150,000 or higher than the lowest permissible in Pay Band 1 of the Senior Civil Service pay scale; and organograms for central government departments and agencies (Cameron 2010a).

Possibly the most crucial and revealing documents concerning the Coalition's new governance statecraft are its Business Plans, published on-line by all Government Departments in November 2010 (see below).

- *Increasing the role of the Third and Private Sector*—The previous Labour Government significantly increased the role of social enterprise and the private sector in the delivery of public services. The Coalition wishes to develop this further by developing a “new culture of voluntarism, philanthropy, social action” (Cameron 2010b) requiring a more extensive role for the Private and Third Sectors [such as the Voluntary Sector, Charities, not-for-profit organisations]. The Government's strategy in this area is predicated on three core ambitions: “...Make it easier to run a charity, social enterprise or voluntary organisation... Get more resources into the sector-social investment, giving and philanthropy...Make it easier for sector organisations to work with the State” (Cabinet Office 2010).
- *Culling the Quango State.* The Coalition's 2010 Public Bodies Bill sought to reduce the size of the state through its cull of non-elected, publicly funded quangos. Quangos failing to meet the criteria of being technical, impartial and transparent were abolished, merged or amalgamated into Whitehall departments. Reform of the extended state fits with the Coalition's wider agenda of reducing government spending [while claiming to protect front-line services] and the size of the public sector, alongside greater fiscal accountability through the creation, ironically of a new agency, the “independent” Office for Budget Responsibility. In October 2010, the Coalition announced the abolition of 192 public bodies, alongside the merger of a further 118.
- *The Creation of Pathfinder Mutuals*—Drawing from the model of two long established UK “employee-owned” companies—the *Co-operative Group* and the *John Lewis Partnership*—“Pathfinder Mutuals” are an attempt by the Coalition to imbue a bottom-up approach in the provision and delivery of public service goods. It is an initiative to encourage greater responsibility by front-line staff for delivering public services. It is the Coalition's attempt to address the perceived failure of the last Labour Administration to relinquish central control and with it provide autonomy and trust to a particular set of stakeholders who have the expertise and knowledge at the street-level to meet local requirements and improve service delivery. In August 2010, the Minister for the Cabinet Office, Francis Maude,

announced the launch of twelve “trailblazer” Pathfinder Mutuals ranging across the health, teaching, housing, social service, employee and local government sectors, each of whom has attached to it an “expert mentor” drawn from business, including the two flagship companies mentioned above. Maude suggested that the driving force behind the initiative was the combination of the ideas associated with the Big Society and the reality of the new financial climate borne out of the recession.

- *Using Behavioural Insight.* The development of the use of behavioural insight as a mechanism of changing the behaviour of citizens. The government has created a Behavioural Insight unit within the Cabinet Office with the aim of developing policy based on changing behaviour in areas such as health on the basis of changing incentives and the way in which information is presented.

4. The current Conservative-Liberal Coalition, in legitimising a perceived shift towards a smaller state developed the notion of a Big Society and a “smarter” or “post-bureaucratic” state. The emphasis here is on a reduced, but more strategic centre, the decentralisation/devolution of power, smarter delivery through developing a range of partnerships and trusts with relevant non-state actors and smarter funding through a reappraisal of the manner in which public ventures are currently financed.

5. However, there are a number of significant issues with these proposals:

- The notion of a post-bureaucratic state is highly problematic. Whilst it may be possible to multiply the suppliers of public goods. All of these suppliers will be organised according to bureaucratic procedures. Indeed, within a complex and developed society the only mechanism for ensuring the efficient and equitable supply of services is through bureaucratic mechanisms which are able to order and process vast amounts of information. Hence, what is called a post-bureaucratic age is more accurately a “hyper-bureaucratic age”. The process of governing is increasingly about bringing together a range of bureaucratic suppliers, in different forms, to provide services. One of the issues that emerges here is what does this mean for equity of services (if different citizens have different suppliers) and for accountability (where organisation outside of government may be delivering services).
- Much of the Big Society programme is based on the notion that people are moral beings who will act for the good of the society to fill in the gaps of a shrinking state. The collective action problem will be resolved by a sense of community (in a similar fashion to the way in which New Labour was for a while attracted to the notion of social capital as a means of resolving society’s ills). Yet many of the current Government’s policies are based on a notion of the rational, utility maximiser (indeed the behavioural insight is that people respond to incentives). For instance, the new policy on University funding in which the state has withdrawn a sizeable proportion of its current fund for teaching costs, to be replaced instead by a graduate tax, is based on the assumption that future students should be rational market actors who will choose and pay for degrees that will produce a greater increase in their overall average income throughout their lives, rather than opting not to go to University, so avoiding the tax but reducing their income earning potential. At the same time, this competitive approach is also seen as a way of improving the quality of degrees.
- There is little thought of how policies inter-relate. For instance, the Government is committed to reforming and limiting welfare payments in the context of rising unemployment. At the same time there are significant cuts both in policing and prison. Hence, the Government does not seem to have linked worsening economic prospects with rising crime. Similarly, it is not clear how Big Society ideas will work in relation to criminal justice. The Government seems to have an optimistic view that cuts in public spending on police can be ameliorated by an increase in the number of voluntary police officers and greater community involvement in preventing crime. There has already been an increase in the welfare budget due to rising unemployment.
- The behaviour insight approach emphasises an alternative to legislation and to doing nothing. It is presented as a way of reducing the role of the state but, in practice, the net effect can be to increase the role of state over the behaviour of citizens. For instance, the activities outlined in the Cabinet Office report *Applying Behavioural Insights for Health* [Dec. 2010]—drinking, smoking, eating—are all legal activities. The risk here is that the Government’s attempt to apply “nudge theory” [paternalistic-libertarianism] will lead to it playing a significant role in attempting to change the behaviour of groups of people [paternalism] to the detriment of the libertarian side of this equation.
- The government has not outlined the processes by which Big Society activity will be supported in order to ensure universal coverage. What will happen if non-state organisations do not fill the gaps created by reduced state provision? Will we see patchy services where those who have the resources and initiative to volunteer have good community services and those that don’t see standards fall? Voluntary enthusiasm is patchy and tends to run out of steam. How will the government ensure that services are established and sustained within the context of voluntary mechanisms? How will the concept of the Big Society map on to the different governance arrangements in Scotland, Wales and Northern Ireland? It is reasonable to presume that the provision of services through a complex myriad of social groups, if they are to be of high quality and sustainable, will be more expensive than state provision. This, of course, was the dilemma of the last government. To personalise public services (and to ensure that they were more suited to the particular client) they became much more costly to provide. The brutal fact is a standardised, centralised public service is cheaper to provide than flexible, “post-bureaucratic” services.

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- Whilst the government is committed to publishing more data through its “Right to Data” initiative and has introduced a benchmarking system for departments, there is little clarity about how these measures will improve service delivery. The Government has abandoned targets which were the subject of much criticism. However, it is not clear how the Government intends to ensure that its goals, often referred to either as “milestones” or “actions” are being met without some explicit criteria for judgement of success or failure or what mechanisms exist for ensuring that benchmarks have been met. What is clear from the departmental documents is that many of the benchmarks are diffuse outcomes rather than clear and specific goals. The publication of reams of unprocessed data/information, may well result in issues of complexity and opacity rather than promote transparent leading to greater democratic accountability.
 - It is not clear whether the Quango cull reduces or increases bureaucracy. Many Quangos are about making decisions closer to the ground, involving stakeholders and reducing political interference. In one sense, Quangos provide an element of the Big Society by institutionalising policy implementation outside the formal structures of government. With many Quango functions being reincorporated into government, they are effectively enhancing traditional forms of governmental bureaucracy.

6. The fundamental problem is that we have been here before. Government since 1979 has been trying to reduce the role of the state, create a smarter state, a more efficient and effective public services. Despite these efforts, we have seen a continuing growth in both the level of government expenditure and the number of people employed in the public sector. At the same time whilst government has been committed to “setting managers free”, localism and decentralisation, there has in reality been little attempt to change the centralising tendencies of British government. The convention of ministerial responsibility accounts for many of the pathologies within the British system with ministers being seen as having responsibility for all that goes on in their domain. This means that there is a strong reflex in British polity to prevent decisions actually being devolved to localities. In the 1940s, Bevan observed that his responsibilities meant that he heard the dropping of a bed pan on a hospital ward. Andrew Lansley now appears on the bedside televisions of every NHS hospital patient outlining his commitment to an excellent health service. The adversarial nature of the British political system combined with ministers being responsible for their domains means that ministers are unlikely to leave key policy decisions to localities or managers. Indeed, the Business Plans enhance the power and resources of individual departments. They are an explicit attempt to rectify what the Coalition regarded as an overly powerful centre [PM Office, Cabinet Office and Treasury] under the last administration resulting in top-down, centralised government. Departments are the creators and owners of each individual Business Plan. The net impact may well be to i] exacerbate the perennial Whitehall problem of departmentalism ii] continue the public perception of elitist government [to quote Douglas Jay] “that the man [*sic*] in Whitehall knows best”. Only now the man is in the Department, rather than under the last regime, located in a central co-ordinating unit iii] continue the trend of top-down government but by other means, rather than see a real power shift to more participatory, pluralist or delegative governance models found elsewhere.

As a consequence of the way ministers sit within departments, civil servants are there to protect and support ministers (a good example of bureaucratic accountability). They are not there to serve the public (democratic accountability). This means that civil servants are very good at the development of policy within the framework set by ministers, at helping ministers defend their positions and generally supporting departmental lines and budgets. What they are less good at is thinking about the development and delivery of policy on the ground. This, of course, creates a frustration for ministers who often find themselves attracted to the effectiveness of officials within the Whitehall/Westminster arena but disappointed that policies are often not properly implemented; leading to attempts to further increase central control. Effective policy implementation requires local knowledge and discretion on the ground. The Big Society appeals to this latter notion and the real test will be whether Whitehall will be willing to relinquish its traditional “command and control” tendencies and the power that goes with it.

7. The development of a Big Society and post-bureaucratic state requires a fundamental reorientation in the way that decisions are made and government operates. There will have to be a significant devolution of power to localities; something past governments have professed without delivering. If power is not to be devolved to local government, there would need to be some form of organisation at local level to allow local organisations to obtain resources and deliver policy. Government would have to accept local priorities and that levels of service may vary in different area with the issues of inequity that produces. In the past, we have seen ministers attempting to deal with (and overcome) local differentiation in cases such as the health postcode lottery and varying levels of service for refuse collection in different areas; illustrating the political constraints on diverse policy outcomes. In addition, officials would have to be outward facing and develop completely new accountability mechanisms and channels for the myriad of organisations involved in service delivery, as well as the recipients of these services, the general public. Effective accountability does not simply reside on a transparency argument predicated on the notion of publishing numerous rolling reports and information/data sets.

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Supplementary written evidence submitted by Professor Andrew Kakabadse

Just a few more thoughts, particularly concerning the value of using post bureaucratic age (PBA) as a benchmark for thinking about civil service and government structures.

The original assumption behind bureaucratic was captured by Weber to denote stability in the administration of the state. Over time that notion morphed into attention to inward looking processes and hence losing touch with the community. A similar experience was witnessed in the private sector with over complicated "bureaucratic structures" which by the 1960s were being attacked by shareholder/investor interest groups, ironically one of them being public service, the Calpers (Californian pension fund) demand for shareholder value. Hence by the late 1960s/early 1970s post bureaucratic age (PBA) thinking was predominant in the private sector and the urge for reform for a post bureaucratic age (PBA) type of environment surfaced flexible structures, customer service delivery, unified supportive top teams and an attention on leadership as opposed to organisation structure. Of course what also emerged was poor leadership, fragmentation, an over-zealous focus on merger and acquisitions and a realisation that more money could be made from repositioning resources for the purpose of merger and acquisition than from actually making profit from service delivery.

The point of my email yesterday was to highlight three core civil service capabilities namely; policy design and development, service delivery excellence, agency relationship management ie sourcing/outsourcing and the management of wholly owned government subsidiaries. A fourth capability seems to be on the horizon from the debate of yesterday and as a result of the general election namely; the formation of powerful community groups to provide service but also be able to effectively interact with the civil service. This fourth option is interesting because although it is an agency relationship management skill, the principles are different to the ones already being utilised by the civil service. The current skills are: shareholder value disciplines within a stakeholder philosophy, i.e. business management skills for the sake of efficient delivery service to the community. The new development, as much captured in the big society debate, is of stakeholder value skills within a stakeholder value philosophy in effect, the administration of services to the community as done by the Germans. If what is meant by the post bureaucratic age (PBA) are the four core disciplines of policy design development, direct service delivery, agency transactional management and stakeholder community support, then the phrase the post bureaucratic age (PBA) has some meaning. Weber never talked about the last two distinct capabilities of completely contrasting ways of managing agency structures.

However, if the civil service is to adopt all four core skills then one Weberian principle has to remain and that is stability. And of course, here lies the paradox. Stability led to inward looking bureaucracy but now stability is needed for servicing for entirely separate skill bases. On this basis the word "bureaucratic" meaning strength is very important. Whilst the term "post" refers to four skill clusters of which Weber only really identified two; policy design and community service delivery.

If such a civil service were to be designed, I have to say, it would be the Rolls Royce of all Rolls Royce civil services. It would be an outstanding achievement. From my experience of civil servants, do they have the capacity to integrate all four skill clusters? The answer is yes, given of course the appropriate training and development. The civil service already is capable of delivering on the first three skill clusters.

What the civil service cannot do is provide for effective service across all four areas without having appropriate investment in the community to build stakeholder institutional structures able to deliver the type of big society requirements being outlined by the present Government. More worrying is the current debate on cutting of costs without deliberately focusing on where fat lies and what is lean should be protected. The best way to damage a sophisticated structure is to have an unthinking across the board cost reduction exercise that takes out the good with the bad. My experience of what happens under those circumstances is that the core simpler "just get it done" skills survive and the more subtle "add value/provide high quality service" capacity is destroyed.

So when you say the problem is VAST, I agree, but it is manageable, it can be broken down into component parts but it cannot survive an unthinking political agenda of just reduce costs.

January 2011

Written evidence submitted by Rt Hon Francis Maude MP, Minister for Cabinet Office

I am writing in response to questions raised following your committee's recent inquiry into good governance and civil service reform.

Firstly, you asked us what is being spent on **training** and how these funds are being allocated to effect delegation and decentralisation. The Government strongly supports the Committee's suggestion that the Civil Service should be proactive in its use of training as a tool for transformation and I attach a note at Annex A which provides more detail.

The committee also asked us what role we saw the Cabinet Office playing in coordinating individual **transformation programmes**. Capability Reviews looked at departments' transformation programmes to illustrate how capable they were in delivering large programmes and realising their benefits. The capability model used during reviews poses a number of specific questions for departments on this subject, for example asking about their ability to evaluate and measure outcomes and ensure that lessons learned are fed back and whether delivery plans and programmes are effectively managed and regularly reviewed.

By the end of 2009, 22 government departments had been reviewed and, in many cases, re-visited a second time. The follow-up reviews showed that departments have improved the way they lead delivery and change. Capability has improved across departments, including in areas relating to the delivery of major programmes. There is more to be done but progress is being made. The Capability Review programme from time to time runs seminars for departments to come together, share best practice and learn from each other on issues such as transformation programmes.

Finally, on a wider point, you asked for the latest thinking on principles of **good governance**. To address this, I attach at Annex B the draft Corporate Governance Code (not published) which sets out a principles-based approach to corporate governance of Whitehall Departments. It also incorporates key aspects of the Government's governance reform policy, including the introduction of Enhanced Departmental Boards. It will be published once PASC has had the opportunity to comment.

My officials will be happy to provide more information if required.

Annex A

PASC—SUPPLEMENTARY EVIDENCE ON THE USE OF TRAINING TO SUPPORT REFORM

1. This note is provided in response to the Committee's request for further information on what is being spent on training in the Civil Service and how it is being used to effect delegation and decentralisation.

BACKGROUND

2. Until recently, accountability for training in the Civil Service has been delegated to individual departments, and to most agencies. Within each department and agency there has often been further delegation of responsibility to individual budget-holders. Civil Service spending on training in 2008–09 is estimated at around £280 million. Departments are expected to make savings estimated at £100 million, which will help them to meet their Spending Review targets.

3. This delegated approach has been valuable in encouraging managers to take responsibility for the training of their staff. But it has also had disadvantages:

- (a) It has involved significant duplication of effort, both in developing training programmes and in areas such as course booking and evaluation of learning.
- (b) Individual line managers have not always had the information they need to select the most appropriate training.
- (c) Delegation has meant that it is difficult to extract management information on the impact of training on the capability of the Service as a whole and use this to strategically drive the training agenda.
- (d) It has failed to exploit the collective buying power of Government.

4. To address these issues and to ensure the right focus for future training, a new "Core Learning Programme" for the Service was launched in 2009. The programme included training which focused on some of the key challenges facing Government, such as:

- (a) shifting towards a smaller government with responsibilities being devolved to the local level;
- (b) working successfully across departmental and public sector boundaries; and
- (c) delivering "more for less".

THE NEW APPROACH TO TRAINING

5. Efficiency across government is central to the Cabinet Office's business plan. Through Next Generation HR (of which our plans for training form part) we are reforming the Service's HR function and substantially reducing its cost. For training, the focus will initially be in those areas where there is a generic requirement

across the Service including training in leadership, management and the “core skills” every civil servant should have.

6. For each grade/level in the Service there will be a common curriculum, based on our strategic priorities including the need to contribute to civil service reform. To ensure that the curriculum meets the needs of the Service it is being developed, and will be continuously reviewed, in partnership with departments and the cross-government professions. It will subsume the Core Learning Programme.

7. Review of the curriculum is led by a new team, Civil Service Learning, which will also source training to deliver the curriculum, using approaches in line with modern practice elsewhere:

- (a) there will be an increasing focus on learning “on the job”, e-learning and blended solutions in appropriate areas;
- (b) there will be an emphasis on “leaders teaching leaders”. These approaches deliver better outcomes, as well as being much less expensive than traditional classroom training;
- (c) classroom training will be largely reserved for areas where training is intended to change behaviours or develop skills; and
- (d) most training will be sourced externally. Internal delivery will be used only for training which is specific to the Service.

8. Once established, departments will not be permitted to source generic training outside these arrangements. However within these parameters, departments will continue to decide how much to spend on training.

9. Civil Service Learning begins operation on 1 April this year and will implement its changes during 2011–12. Over time, Civil Service Learning will also look to drive opportunities for savings and quality improvements in professional development and department-specific training (representing about half of all training spend in the Service).

April 2011

**Letter from the Clerk of the Committee to Ian Watmore, Chief Operating Officer,
Efficiency and Reform Group, Cabinet Office**

When you gave evidence to the Committee on 3 March 2011 in relation to this inquiry you told the Committee that:

... there is a White Paper coming out in the nearish future—I do not know the exact date—on public service reform, within which there will be aspects of Civil Service reform ...

The Open Public Services White paper was eventually published on 11 July. The only explicit reference we can find to civil service reform is at page 51 where, after listing the key roles which central government will focus on, it states that opening up public services and wider decentralisation of power “has profound implications for the role of Whitehall in the future”.

It goes on to say that the Government will consult on these core government roles particularly on the future shape of the policy, funding and regulatory functions in Whitehall and beyond.

Is this the extent of commentary on civil service reform you envisaged would be in the White Paper in your answer to the Committee?

Can you tell the Committee when the Government is planning to consult about these core government roles?

You also told the Committee that:

... we have a job advertisement out at the moment for a director general—so the second highest level of the Senior Civil Service—to lead on that particular area, working to the three of us, in effect, on the crosscutting role across Government.

The appendices to this year’s Annual Report and Accounts of the Civil Service Commission list the internal competitions for senior appointments at pay band 3 which have taken place in the reporting year. The entry for the post of Director General Civil and Public Services Reform records that no appointment was made.

Do you expect to run an external competition to find a suitable candidate for this post?

If not how do you plan to provide senior leadership to take forward the Government’s published plans for public service reform and the consultation on the future role of Whitehall?

July 2011

**Supplementary written evidence from Ian Watmore, Chief Operating Officer,
Efficiency and Reform Group, Cabinet Office**

Thank you for your letter of 19 July following my appearance at the Committee in March.

You asked about follow up to the Open Public Services White Paper and the appointment of a senior civil servant to lead on public and civil service reform.

The Open Public Services White Paper sets out the key roles for central government in future, as public services are opened up (at paragraph 7.5). By way of follow up, the Government has committed to a wide-ranging discussion with individuals, communities, public sector staff, providers and others with an interest in how public services are delivered. This listening period was launched on 11 July and will conclude on 30 September. People are invited to comment on the Open Public Services website (<http://www.openpublicservices.cabinetoffice.gov.uk/>), and to attend “listening” events which will shortly be published on the website. The White Paper recognised that the programme set out in the White Paper implied significant change for the future role of Whitehall and committed to a future consultation on core Government roles in future.

On the appointment of a Director General, you are right that no single appointment was made. We decided to take an alternative team based approach to the work in this area. The responsibilities of the DG post in respect of leadership of the HR profession across Government have moved to Chris Last (HR DG of DWP and Head of Civil Service HR Operations). Civil Service reform is being taken forward by two SCS 2 level Executive Directors William Hague (focussing on people aspects of reform) and Zina Etheridge (focussing on overall strategy and developing a programme for reform).

Additionally we are considering as part of the Open Public Services listening exercise precisely how best to lead the subsequent implementation effort. When that is determined and agreed with Ministers we will let the Committee know of the details.

September 2011

Written evidence from Dr Catherine Haddon

From my studies of the history and method of various Civil Service reform initiatives I have identified a number of characteristics of more successful efforts. Many of these lessons chime with some of the latest organisational development and change management thinking from the private and public sector, and that which is adopted by Civil Service change directors for instance. However, it is important that wholesale Civil Service reform is understood in its wider political and governmental context. As such there are also lessons that are apparent about the role of political leaders; the cycle of reform in the context of the life of a government; and the relationship and accountability between Civil Service and Ministers (and notably Prime Minister) in terms of attempting Civil Service wide-reform.

The main lessons relevant to your Inquiry are distilled below. I would be happy to expand upon any of them:

1. An understanding of both what something is being transformed from and to, and the process of transformation itself. This requires both a coherent vision of the ultimate outcome, but also how to ensure coordination in the method of reform and how to communicate that throughout the process.
2. The appropriate scope for the reforms must be established at the outset; with focused terms of reference, but also a wide enough canvas to be able to explore all necessary issues.
3. A political belief that reform is needed must be matched by the same belief within the Civil Service, and both should be clear on their roles in delivering it.
4. The use of central bodies driving reform, either the Cabinet Office or reform units such as the Efficiency and Reform Group, can and has been effective, but requires all the above factors but also quality leadership of such units and a method of working collaboratively with departments.
5. Setting an appropriate lifespan for reforms can help to achieve optimal impact and ensure political support is sustained: two to three years may be most effective, beyond this time; reform bodies may experience mission creep. However, the time taken for reforms to embed should also be articulated.

September 2011

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