

## Whitehall reform: The view from the inside

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#ReformWhitehall



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## **Reform**

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Our vision is of a Britain with 21st Century healthcare, high standards in schools, a modern and efficient transport system, safe streets, and a free, dynamic and competitive economy.

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## Executive Summary

In late 2012 and early 2013, the independent think tank *Reform* carried out 45 anonymous research interviews on Civil Service reform. It interviewed Ministers in the Coalition Government, Ministers in the previous administration, current Non-Executive Directors, current and former officials, and Special Advisers.

The aim was to get a true picture of current views on reform. It is all but impossible for current Ministers and officials to engage in the public debate on Whitehall reform. As a result the debate can be ill-informed. The recent discussion has revealed increasing frustration on both sides but not identified the true problems and solutions.

### Three structural problems

The interviews identified three structural causes of the inadequate performance of Whitehall departments:

- > a style of employment and career planning which rotates people between roles too frequently. This prevents officials acquiring real expertise and skills, such as commercial and procurement skills. It absolves them from accountability for decisions; before a project has been completed in success or failure, they have moved on. It destroys the collective memory of the department and, ironically, often leaves Ministers and their political advisers with more experience of a particular project than their officials.
- > a failure to act on performance, whether to penalise poor performance or reward the good. In some cases the system actively rewards poor performers i.e. when officials are promoted simply in order to move them out of their current roles.
- > an absence of will and experience on the part of Ministers to drive change in Whitehall. Ministers also move positions too often to be properly accountable. Ministers also lack a performance culture, even more so in fact than officials.

### Key solution

Both officials and Ministers have to improve their performance and be accountable for their actions. But in terms of the implementation of reform, Ministers should bear the responsibility.

Whitehall has shown that it is incapable of reforming itself. Change has to be driven and it has to be driven by Ministers. Ministers have to accept a new political objective which is to hold their departments to account for their performance. The Prime Minister has to play his part by selecting and promoting Ministers partly on their ability to achieve this.

For this reason Ministers need the power to appoint Permanent Secretaries in order to drive change and hold them to account. But the caveat is that Ministers need the skills to do so and should appoint on merit.

### Ministerial appointment of Permanent Secretaries is consistent with the principles of Northcote-Trevelyan

The authors show that, contrary to the popular view, the Northcote-Trevelyan report explicitly supports political appointment of officials on the grounds of competence. The idea that the Civil Service should appoint its own leaders in fact emerged during the time of office of Warren Fisher (Head of the Home Civil Service 1919-1938). In 1941, Sir William Beveridge strongly criticised this change from the Northcote-Trevelyan

principles. He concluded: “The Minister’s function in war as in peace is first and foremost that of finding the right men and giving them responsibility”.

One interview for this project revealed that one Coalition Secretary of State de facto appointed a Permanent Secretary. Another noted that Secretaries of State have more influence “than is written down”. Last year Jack Straw reported that he appointed three Permanent Secretaries during his time in Government. Charles Clarke said that he had a Permanent Secretary removed.

**“Senior current officials reported that the Plan had not led to any changes in their daily working lives.”**

## **Coalition Government policy**

In its first two years, the Coalition Government failed to grasp the importance of Civil Service reform, even when presented by new evidence of poor performance. Both the annual Civil Service People Surveys and the new assessments of departmental performance (“Capability Action Plans”) have revealed major problems of capability and over-estimations of progress. In 2012, only 27 per cent of Department of Environment and Rural Affairs (DEFRA) officials agreed that they “have confidence in the decisions made by DEFRA’s Senior Civil Servants” (as reported to the Civil Service People Survey). Yet DEFRA’s Action Plan asserted that, “The senior leadership team exercises active, visible leadership and has set a clear agenda to raise the performance of the Department”.

The exception in the first two years was the Levene Review of the Ministry of Defence (June 2011), which is the Coalition’s model statement of Civil Service reform. It made clear recommendations to reduce the rotation of both officials and Ministers and to make a reality of performance management.

The attitude of Government has clearly shifted towards reform since the summer of 2012. The Civil Service Reform Plan (June 2012) contains criticisms of both rotation of officials and poor performance management. But the criticism is equivocal; for example, the Plan defended the rotation of officials on the grounds that it advances “the needs and priorities of the Department”.

Crucially, the Plan did not commit full Ministerial support to the achievement of change. Whitehall reform was again left to Whitehall. Ministers will again be disappointed: in interviews for this project at the end of 2012 and in 2013, senior current officials reported that the Plan had not led to any changes in their daily working lives.

## **Detailed recommendations**

Interviewees made the following recommendations to address problems on both the official and political sides of government:

### **Appointment of officials**

- > Reduce the number of civil servants and pay them more. Remove the salary cap at the level of the Prime Minister’s salary.
- > Appoint people to jobs on the basis of skills and expertise – not simply to horizontal grades.
- > Keep officials in post for length of project.
- > Run competitions for appointments, including external candidates, in all cases.

### **Performance management**

- > Promote effective people faster.
- > Stop promotion of poor performers as a means to shift them away from their current responsibilities.
- > Apply basic employment law to manage poor performance.

### **Ministerial skills and performance**

- > Prime Ministers to set clear objectives for Ministers.
- > Prime Ministers to appoint and promote partly based on ability to run departments.
- > A stronger political operation in Number 10 Downing Street.
- > Ministers to set clear objectives for their departments.
- > Annual performance reviews for Ministers.
- > Secretaries of State to focus on a small number of core decisions, by delegating workload to junior Ministers and officials.
- > Presume that Secretaries of State and Permanent Secretaries will stay in post throughout a Parliament.

### **Appointment of Permanent Secretaries and other officials**

- > Allow Ministerial appointment of Permanent Secretaries, but with the caveat that Ministers need the right skills to do so and should appoint on merit.
- > Allow Ministerial appointment to a stronger private office, including political appointments, on the Australian model.
- > Presume that Permanent Secretaries and Secretaries of State will stay in post throughout a Parliament.

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# 1

## Key quotes from research interviews

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## End destructive over-rotation of officials

- > **Coalition Minister:** “There is a difficulty in tying success and failure to individual responsibility within the organisation. This is quite unlike successful private sector organisations where people are given a project and unless they are clearly cocking up they’re allowed to see it through to the end and their future career doesn’t depend on this. I had examples of projects that were going quite badly wrong and needed to be put right and I’d get a team in and they’d say, ‘Oh Minister, I’ve only just taken over a month ago and the person who was responsible has moved on to do x,’ and that isn’t very satisfactory because it makes it difficult to objectively judge the capacity of the Civil Service to deliver.”
- > **Coalition Special Adviser:** “There is no inherent expertise in this building. You would presume they would know the ins and outs. They move everybody every two to three years so people build up knowledge and then they get moved to something completely irrelevant. Everybody’s a generalist.”
- > **Civil Service official:** “Every other profession is becoming more professionalised. You can’t be a finance or marketing director without the necessary qualifications. What’s a civil servant? A generalist!”
- > **Coalition Non-Executive Director:** “I think the point about building deep professional skills, whether it’s commissioning, IT, is absolutely crucial. The depth of functional expertise isn’t what it should be.”
- > **Coalition Non-Executive Director:** “We need fewer civil servants but pay them more. This salary cap is difficult because you can’t recruit people and retain them.”
- > **Coalition Non-Executive Director:** “I think the Civil Service has to get away from this concept that you can recruit lots of bright people and they can do anything because they’re bright. You need expertise and experience. If you don’t have it, buy it in.”

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“Oh Minister, I’ve only just taken over a month ago and the person who was responsible has moved on to do x’.”

## Reward good performance and address poor performance

- > **Coalition Special Adviser:** “There are some extremely good people and there are some appalling people, and of course everyone knows who they are like any organisation. And the fundamental truth is to get rid of a bad person you promote them out of a job. I have literally seen that happen...get promoted to an area that we don’t care about.”
- > **Minister in previous Government:** “It was hard to get rid of bad people because they’d just get churned around and create a problem somewhere else. You realise that people are just kept out of sight of a specific Minister – they’re just waiting till you go before they come back again.”
- > **Civil Service official:** “Right now there is no consequence of the performance management system. We collect reams of information, we just don’t do anything with it.”
- > **Coalition Minister:** “Often neither Ministers or civil servants are actually accountable for programmes which they’re delivering. And therefore if you have impunity, if you’re never going to get punished or held to account, and suffer the consequences for lousy decision or you’re never going to be praised for good decisions, it is only human nature that your motivation will suffer.”
- > **Coalition Minister:** “There’s a real culture of protection against inadequacy. Very gallant but not in the interests of best government.”

- > **Coalition Minister:** “There are lots of people in my department who want to be working in an environment where things were quicker, where there was more responsibility when things went wrong, where good people were promoted.”

## Ministers already de facto appoint Permanent Secretaries

- > **Coalition Minister:** “The new Permanent Secretary was effectively appointed by the Secretary of State. It was made known that was the person they wanted.”
- > **Minister in previous Government:** “I gather the Secretary of States have more influence about who the Permanent Secretaries are than is written down. So why don't we just make it a formal thing? Political influence should be more transparent. The point is not to get someone in who you agree with politically, the point is to get someone who you have confidence in, someone I can talk to properly, that I trust the person, that I find the person reliable. Now that person could be a Tory or a Labour voter but all those personal dynamics really matter.”

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“The stuff around making a department run properly is long term, there's no political upside. The Prime Minister doesn't say, 'Well done!'”

## A new performance culture for Ministers and officials

- > **Coalition Minister:** “The efficient running of a government department has no bearing on their [Ministerial] career prospects. A Minister is interested in the media, how they do in Parliament, the next reshuffle. The stuff around making a department run properly is long term, there's no political upside. The Prime Minister doesn't say, 'Well done!' So if you wanted Ministers to engage in the process properly you'd need to send a much clearer signal that this is something that is valued.”
- > **Coalition Minister:** “How does a Minister prove he or she is doing a good job? At the end of the first year I wrote a report on myself, of all the things that I had done, and gave it to the Chief Whip. I wasn't convinced anyone took any notice so I didn't bother doing it again.”
- > **Coalition Minister:** “Ministers should produce annual performance reports. They should be formally assessed. There should be a process of talking to Ministers and talking about what they achieved. People management is very bad. There needs to be a process for formally reviewing Ministers and their effectiveness.”
- > **Coalition Minister:** “Frankly if you change Ministers every two years you hand vast power to civil servants. We should change Ministers far less frequently than we do. Civil servants have a certain contempt for Ministerial office because they know they are moved so often, and not necessarily on merit and ability. Why should these people bother listening to me when they know that in six months' time it's all going to change?”
- > **Minister in previous Government:** “Ministers are badly managed by the Prime Minister and their senior Ministers. It seems to me if you appoint someone to a post you should tell them what you want them to do. ... there's a hell of a lot of people [Ministers] who don't realise that they're potentially in charge of a big machine that they need to get to grips with.”
- > **Minister in previous Government:** “You cannot reform the Civil Service without support within the Cabinet where the majority of the Ministers need to be in favour of the reform and a large chunk of the Opposition party are in favour of reform. Otherwise the top echelons of the Civil Service will just outwait you.”
- > **Civil Service official:** “What are Ministers accountable for? As long as they're accountable for everything that goes on in their department then everything in their department will come to them. They will be inundated. Rather than focusing on key issues of strategy, strategic implementation, incentivisation and key appointments.”

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## The view from the inside

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**“I think the Civil Service has to get away from this concept that you can recruit lots of bright people and they can do anything because they’re bright. You need expertise and experience. If you don’t have it, buy it in.”**

Coalition Non-Executive Director

## Summary

- > The continuous rotation of staff around the Civil Service has led to an absence of specialist knowledge in departments. The Coalition’s plans to deploy individuals across departments will perpetuate, rather than alleviate, this problem.
- > Poor performance is not dealt with properly and good performance is not adequately rewarded. Coalition proposals to identify the top 25 per cent and bottom 10 per cent of performers in the Senior Civil Service will not sufficiently address the problem.
- > The principle of ministerial accountability means that Ministers should be able to appoint Permanent Secretaries and hold them to account. However, Ministers must have the appropriate skills and appoint on merit. The Coalition’s proposals to strengthen the role of Ministers in the appointment process do not go far enough.

## Civil Service expertise and skills

The Government’s proposals for reforming the Civil Service argue that the “significant gaps in capability and skills” must be “filled if the Civil Service is to be able to meet today’s and tomorrow’s challenges”.<sup>1</sup> The Plan highlights financial, commercial, contracting and commissioning skills as particular areas for improvement. High turnover and the short tenure of posts are also identified as risks to the corporate memory of departments. The Government recommends increasing the average length of posts and deploying specialist professionals from corporate centres across the Civil Service.

There was a perception among respondents that the Civil Service still concentrates on developing generalist rather than specialist skills. As a Coalition Minister explained, there is “the implicit assumption in the Civil Service that if you’re an intelligent well educated person then you can basically do anything and be shuffled into any job.” This assumption was in marked contrast to most other professions as a Minister in the previous administration explained: “this ridiculous 1960s thing that generalist is good is absolutely rubbish. You want to have the best person for the job. If you need a plumber you get a plumber, not someone else who can’t do the job.” However, one respondent argued that “there are some generic horizontal skills that everybody should have and there are some specialist vertical skills. Civil Servants need interpersonal skills in terms of handling challenging skills, reasoning, analysing” in addition to specialist areas. Among some officials there was frustration that the Civil Service considered itself to be an exception: “Every other profession is becoming more professionalised. You can’t be a finance or marketing director without the necessary qualifications. What’s a civil servant? A generalist!”

The emphasis on building generalist skills has been manifested in the continuous rotation of staff around the Civil Service. As an official explained, “the only way you get promoted is to have a range of experience and that’s by moving around every two or three years. What that does is eliminate vocational knowledge, it makes it difficult to build in vocational training, it dilutes experience.” The absence of specialist knowledge in departments had come as a surprise to Ministers and their political advisers. Recounting his experiences of entering a department for the first time, a Coalition Special Adviser noted that, “there is no inherent expertise in this building. You would

**“The implicit assumption in the Civil Service that if you’re an intelligent well educated person then you can basically do anything and be shuffled into any job.”**

<sup>1</sup> Cabinet Office (2012), Civil Service Reform Plan, p.22.

**“People have got to be attached to a project and own a project for long enough to know if it is succeeding or failing.”**

presume they would know the ins and outs .... In this building they move everybody every two to three years so people build up knowledge and they literally get moved to something completely irrelevant. Everybody’s a very good generalist.” The movement of staff regularly takes place at senior levels as well, causing a Coalition Minister to remark, “I don’t know any business that has spent their entire career in marketing and make them the FD [Finance Director], or their entire career as Treasurer raising funds for a plc and make them the production director.”

The rationale for rotating staff was often based on arbitrary considerations and frequently not aligned to departmental priorities. This led to confused accountability for projects and problems with the implementation of projects. A Coalition Minister recounted the difficulties he had faced because “in the Civil Service you have a culture of moving people around ... which isn’t necessarily related to the length of time of the project they are working on.” As a result, there had been insufficient expertise to rectify problems when they occurred: “I had examples of projects that were going quite badly wrong and needed to be put right and I’d get a team in and they’d say ‘I’ve only just taken over a month ago and the person who was responsible has moved on’.”

Other explanations that were given for high staff turnover was “that [civil servants] will go native and get too close to an interest group” or political administration, compromising the independence of the Civil Service. Other officials had been told that “everyone needs to be rotated through the system every four or five years in order to make them a really great Permanent Secretary.” The problem with this approach was that “not everyone is going to be really great Permanent Secretary because we don’t need hundreds and thousands of Permanent Secretaries.”

Among respondents there was agreement that the Civil Service lacked a number of specialist skills. Project management is a particular area of concern. A Minister in the previous administration said, “I think [the Civil Service has] not been good with contracts on large projects. Everything overruns and they seem to think it’s normal”. There was anxiety from private sector stakeholders that there were insufficient skills to negotiate effective contracts: “there has to be a sharpening of internal and external commissioning. The whole PFI/PPP debate is not just the fault of the private sector, it’s all about who’s framing the contracts and managing the relationships.” Another explained that the role of the Civil Service was no longer just “about processing bills” but thinking “of new ways to find money from the private sector, innovative ways of raising funds, instead of just spending money.” To be able to do this, the Civil Service would have to build its financial management skills: “The Civil Service doesn’t seem to know that they are running a business and if you’re running a business the costs are important. They don’t know the cost of their activities.”

The Government’s recommendation to deploy skills from corporate centres has not been regarded as an effective solution to the main concerns around skills and expertise. It will perpetuate the idea that individuals must rotate around the Civil Service to be effective. The Coalition’s recommendations also do not propose root and branch reform, but graft half-way house proposals on to the existing system. Certain respondents compared the proposal to another extension of government-wide units, such as the Government Procurement Service and Government Economic Service, which were not considered to have increased the overall level of skills and expertise in the Civil Service. To effectively enhance skills a Coalition Minister argued that “people have got to be attached to a project and own a project for long enough to know if it is succeeding or failing. So miasmas of people floating around who aren’t attached to anything and come and lend you their pencil for the day doesn’t seem that sensible.” The proposal was not considered to be a suitable replacement for expert knowledge, as a Non-Executive Director said, “you can’t airlift specialists in to make sure the business is understood. People who just commission services won’t necessarily understand the business.”

## Performance management

The Civil Service Reform Plan has committed to improving organisational performance across the Civil Service.<sup>2</sup> It has identified that across the Civil Service “good performance needs to be more consistently rewarded and poor performance tackled effectively.”<sup>3</sup> To address this issue, the Plan proposes implementing a common Civil Service competence framework for staff who are not in the Senior Civil Service that will provide comparable data on performance across departments. In the Senior Civil Service, the Plan recommends implementing an appraisal system that identifies the top 25 per cent and bottom 10 per cent of performers. For those at the bottom, it recommends a “more streamlined” policy on managing poor performance with reduced time frames and clearer guidance. Furthermore, it recommends holding managers to account for the management of poor performance and the development of high potential individuals.

**“There is no consequence of the performance management system. We collect reams of information, we just don’t do anything with it.”**

The interviews raised issues relating to both how performance management currently works in the Civil Service and proposals for how it could be made to work more effectively. Ministers recognised that performance was inconsistent across the Civil Service and within departments themselves: “Broadly what you find is that in bits of departments that are very close to Ministers you probably always find highly motivated people in those areas. And in the other bits the opposite.” Despite distinctive variations in performance, there was concern that there were “far too many people in far too high grades who are not of a high enough quality”. Overall there was recognition amongst politicians that most officials wanted to be better performance managed: “There are lots of people in my department who want to be working in an environment where things were quicker, where there was more responsibility when things went wrong, where good people were promoted.”

The identification and management of poor performance was considered to be a particular issue. As a Coalition Special Adviser commented, “there are some extremely good people and there are some appalling people, and everyone knows who they are.” Instead of addressing performance issues, one Coalition Minister was surprised to find that “there’s a real culture of protection against inadequacy. Very gallant but not in the interests of best government.”

Amongst officials there was also frustration that “there is no consequence of the performance management system. We collect reams of information [about absence etc.] we just don’t do anything with it.” Bureaucracy prevented managers from dealing with performance concerns: “the ability to promote good people, to fire others and to move things on quickly, those levers and tools seem to be entirely absent... for cultural reasons, for employment and HR reasons.”

In the absence of other options, weaker members of staff were moved around departments. As a Minister from the previous government commented, “it was hard to get rid of bad people because they’d just get churned around and create a problem somewhere else. You realise that people are just kept out of sight of a specific Minister.” This was considered by some to be rewarding poor performance: “The fundamental truth is to get rid of a bad person you promote them out of a job.” For those who worked with the Civil Service regularly, this process not only affected morale but also the quality of policy making: “They are a drag on the department but they are also making lousy policy, not delivering, hampering growth. The drag on the economy is huge.”

There was also frustration that better members of staff could not be appropriately rewarded and recognised. Pay and reward is considered to be inflexible and structured inappropriately so “salaries are too low and benefits are too high”. In addition, as one Non-Executive Director commented, “the top people are underpaid and

<sup>2</sup> Cabinet Office (2012), *Civil Service Reform Plan*, chapter 4.

<sup>3</sup> *Ibid.*, p.26.

**“The new Permanent Secretary was effectively appointed by the Secretary of State. It was made known that was the person they wanted.”**

the poor performers are overpaid” because of national wage structures and inflexible pay bands. Remuneration also restricts external recruitment. The Government’s salary cap stipulating that officials could not be paid more than the Prime Minister had made it “difficult because you can’t recruit people and retain them. Frankly it will drive people to the private sector.”

However, reward structures need to be dependent on more than pay. As a Coalition Minister argued, individuals require more responsibility as well: “You cannot manage people by throwing money at it and yelling at them. If you want to motivate professionals you’ve got to get them to own it not just tell them.” Ministers and managers were also keen to have the power “for good people to be promoted faster.”

The Government’s proposals for identifying top and bottom performers in the Senior Civil Service were not considered to address core concerns around performance management. A Minister in the previous administration argued that a “tougher approach to performance management” was needed but that “these arithmetical measures are a bit crude.” Others were concerned that the measures would result in the collection of more information that was not of any particular use, “I’m not sure what you do with the top 25 per cent. We can’t promote them all or pay them more so why identify them?” Focusing on the best and worst individuals was also not considered the best way of making sure that “the whole department perform at a level that people expect”, which required a fundamental cultural shift. One way of doing this was concentrating the workforce in key areas. As one Coalition Minister explained, what was needed was to “have a smaller number of people, enjoying their job more, working faster, knowing what Ministers want.”

### **Appointments of senior civil servants and Permanent Secretaries**

The Civil Service Reform Plan recommends that Ministers will have a “stronger role” in the appointments of department officials and Permanent Secretaries based on the direct accountability that Ministers have to Parliament for the implementation of policy priorities.<sup>4</sup> The Plan proposes to consult the Civil Service Commission about how Ministerial influence can be strengthened in recruitment.

A number of respondents noted that political involvement in the recruitment of Senior Civil Servants and Permanent Secretaries already occurred. Inconsistent practices between departments make it important to formalise the appointment process. As another Minister from the previous administration stated, “Secretaries of State have more influence about who the Permanent Secretaries are than is written down, so why don’t we just make it a formal thing? Political influence should be more transparent.”

The Civil Service Plan mentions that Secretaries of State and Permanent Secretaries should consider “the business requirement and priorities of the Department” during the appointment process. However, respondents believed there was further to go in ensuring that appointments were based on the ability of individuals to deliver the corporate objectives of departments. As a Non-Executive Director from a department said: “I think the criteria for appointment to a role should be much less generic. I think what sort of Permanent Secretary does this department need for the next five years? What skills do they have to do the job?” One Coalition Minister commented that the issue of senior appointments detracted from real issues of organisational culture: “The question of who appoints the Permanent Secretary is less important than how do you bring about a culture change or how do you have a smaller, more motivated, more flexible Civil Service?”

<sup>4</sup> Cabinet Office (2012), *Civil Service Reform Plan*, p.21.

Most respondents thought that Secretaries of State should have the power to appoint Permanent Secretaries. One Minister in the previous administration commented that the smooth working of a department relied on the personal relationship between the Secretary of State and the Permanent Secretary: “The point is not necessarily to get someone in who you agree with politically, the point is to get someone who you have confidence in, someone I can trust ... it is essential to get those personal dynamics right.” There was concern that Secretaries of State were unable to implement reform programmes due to poor relationships with Permanent Secretaries: “You might spend 30 years of a political career and be a Secretary of State for two years, and the whole thing is wasted because you’ve got the wrong person standing next to you. That is not democratic.”

Critics of greater political involvement argued that the tension between Ministers and Permanent Secretaries could act as a safeguard against poor political decisions. A Minister in the previous administration highlighted that, “The duality of a relationship at the top and bottom is quite healthy – you’ve got a political Minister and supposedly impartial Permanent Secretary. That duality is a safeguard. [Ministers] do sometimes need saving from ourselves.” For one Non-Executive Director, the frequent movement of Ministers was also seen to undermine the case for greater political influence in the appointment process: “Continuity of leadership in any organisation is so important you wouldn’t want to be in a position where you are changing the PS because of Ministerial changes.” Another Coalition Minister argued that Ministers may not appoint those with complementary skills to their own: “The Secretary of State may be unable to do anything with human relations or may have no experience of progress chasing. I think the Senior Civil Service needs to build in the capacity to create teams which compensate and complement the Minister’s strengths.”

## Ministerial skills and performance

The Government’s current proposals concentrate on the role of the Civil Service and its ability to effectively serve Ministers and the public. The Plan avoids making mention of the capabilities, culture and leadership of Ministers to effectively serve the public interest.

Respondents from across the spectrum expressed reservations about Ministerial skills and performance. Even among their peers Ministers considered themselves to be individual operators. As one Coalition Minister commented: “Ministers are not managers, they are sole traders. In general, they have always worked on their own and are fiercely competitive with each other.” There were concerns that the current intake of Ministers lacked experience outside politics to give them the grounding they required: “The previous Secretary of State was a businessman who knew how to run a business and the challenge for many modern politicians is they don’t have that experience.” This was acknowledged by another Coalition Minister as a deficiency amongst themselves and their peers: “The problem is that most Ministers wouldn’t know a strategy if it hit them in the eye. We’re tacticians, operators – completely unsuited to be strategic.” One official was as frustrated by the concept of generalist Ministers as generalist civil servants: “I think we should have something that says quite explicitly that you should have certain skills to manage a department. We still have a concept of Ministers as gifted amateurs.”

Weak Ministers can be easily exploited by officials: “As a civil servant you could tell which Ministers were bright and able. If you know they can’t cope with it you get very blasé about it, you think your performance doesn’t matter.” One Coalition Ministers recognised that they had a role to play in the work produced by officials: “Ministers could be better about what we think, what we ask for...you need to be clear to officials about the framework they are working [in].” A Minister in the previous administration

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**“We still have a concept of Ministers as gifted amateurs.”**

**“People management is very bad. There needs to be a process for formally reviewing Ministers and their effectiveness.”**

commented: “The Civil Service is a Rolls Royce waiting to be driven effectively and the truth is Ministers often don’t drive it effectively.”

Although all MPs are ultimately accountable to Parliament there is frustration that there is no mechanism for managing the day to day performance of Ministers and setting out what is expected of them. A Minister in the previous administration argued that, “Ministers are badly managed by the Prime Minister and their senior Ministers. It seems to me if you appoint someone to a post you should tell them what you want them do.” A Coalition Minister requested that, “Ministers should produce annual performance reports. People management is very bad. There needs to be a process for formally reviewing Ministers and their effectiveness.”

The Civil Service Reform Plan recognises that “too often policy design is considered separately from the practicalities of implementation.”<sup>5</sup> To address this, the Plan proposes improving management information and a stronger role for the recently established Implementation Unit in the Cabinet Office, which will focus on strengthening policies of specific importance (as determined by the Prime Minister and Deputy Prime Minister). There was agreement amongst those outside government that policy implementation could be weak: “Once you’ve got legislation on to the statute book there is no real depth of feeling about delivery.” A senior Non-Executive Director highlighted that “if you’re in business, policy and implementation are the same thing”. It was recognised that Ministers needed to take responsibility for this along with officials: “Ministers moan about implementation although the policy could never have been implemented in the first instance.” Another Non-Executive Director commented that Ministers needed to be “integrated into the overall impact of their departments. It’s not just that the idea is okay and the announcement is okay. It’s actually if the outcome is somewhere near what was intended or promised.”

One Coalition Minister commented that Ministers were not assessed on their abilities to effectively implement. “The efficient running of a government department has no bearing on career prospects. The Minister is interested in the media, how they do in Parliament, the next reshuffle. The stuff around making a department run properly is long term, there’s no political upside.” For another, the rotation and reshuffle of Ministers was considered to encourage distrust between officials and Ministers: “Civil servants have a certain contempt for Ministerial office because they know they are moved so often and not necessarily on merit and ability. Why should these people bother listening to me?” Greater stability amongst Ministers and officials during a political term, such as in the French cabinet or American system, promoted “an understanding that you’re all in it together.”

## **Confused accountability for decisions**

The Civil Service Reform Plan recognises that the current principle of Ministerial accountability, whereby civil servants are accountable to Ministers who in turn are accountable to Parliament, needs to be reconsidered. Following the publication of the Plan, the Government proposed a review of other systems of government accountability, specifically in New Zealand, Australia, Singapore, France, the United States and Sweden.<sup>6</sup> To address issues of poor accountability for project outcomes the Plan proposes that Accounting Officers are given more explicit sign-off responsibilities and held to account by Select Committees if necessary.

Amongst interviewees there was frustration that Ministers were made to take all decisions but had little power in other key areas. As one Coalition Minister commented, “Ministers are not responsible for the appointment, recruitment or promotion of staff. So as a user of the service I can see things that I can do whereas in my old life I would do

<sup>5</sup> Cabinet Office (2012), *Civil Service Reform Plan*, p.16.

<sup>6</sup> Cabinet Office (2012), *Operation and Structure of Government Machinery Review Contract*.

**“If I know I will get called back for past mistakes rather than leaving it to my successors to deal with, I will take a lot more care about who made those decisions.”**

something instead of just talking about it.” The balance of power was perceived to sit with officials, but the risk sits with Ministers: “Fundamentally, if whoever’s head is on the chopping block is the Secretary of State’s then that’s fine as long as he’s actually in charge.” At the same time, Ministers were also perceived as being responsible for too many activities making it difficult to prioritise: “As long as they’re accountable for everything that goes on in their department then everything in their department will come to them. They will be inundated rather than focusing on key issues of strategy and implementation.” However, as a result of Ministerial responsibility civil servants also did not consider it appropriate to make decisions without Ministerial approval: “There’s always a Minister behind every decision. Anything else would almost be a form of treason.”

As with Ministers, there was concern that Permanent Secretaries were not performance managed by any one body or individual and thereby not fully accountable. One Non-Executive Director explained that “Permanent Secretaries are not managed by anyone. Gus [O’Donnell, former Cabinet Secretary] used to set their objectives but they are not held to account in a managerial sense. That, if you don’t deliver your appointment is terminated or we’re not paying you as much .... if the Permanent Secretary didn’t want to do something he didn’t have to. There was no mechanism to force it.”

Across the Senior Civil Service, Ministers and civil servants agreed that the current system requires reform because civil servants were not held accountable for outcomes. As a Coalition Minister remarked: “If you’re never going to get punished or held to account and suffer the consequences for lousy decisions and if you’re never going to be praised for good decisions, it is only human nature that your motivation will suffer.” However, officials did warn that if they were regularly held to account by bodies such as the Public Accounts Committee they would be less willing to safeguard Ministers for poor decisions: “If I know I will get called back for past mistakes rather than leaving it to my successors to deal with, I will take a lot more care about who made those decisions.”

Finally, there was also a perception that neither Ministers or officials had autonomy with ultimate authority often resting with coordinating departments: “With government, you have multiples central bodies that can be described as performing ‘head office’ duties ... No 10, Treasury, Cabinet Office, ERG ... you might even include BIS in the mix. If it is challenging for business to understand the arrangement, what must it be like for the conscientious and motivated official in a department who needs to get an idea or decision approved or even made by the ‘centre’?”

## **Non-Executive Directors**

Since 2010 the Government has appointed Non-Executive Directors to Whitehall boards to provide challenge and support to Departments on performance, operational issues and management. Led by Lord Browne of Madingley, Non-Executive Directors have been appointed to enhance the commercial skills of civil servants using their experience of business and operational delivery.

Amongst respondents there were mixed responses about the success of Non-Executive Directors. In addition, their purpose and influence varied between departments. A Non-Executive Director of a key coordinating department commented, “The truth is we’re advisory directors, not executive directors. Non-executive directors in a company have power, they can get rid of the Chief Executive; we can’t get rid of the Minister. They can get rid of the Chairman; we can’t get rid of the Permanent Secretary... we can ask questions but frankly if people ignored us there’s nothing you can do. In a private company if a non-exec is unhappy they can really cause trouble. Whereas we’d just be annoying and then we’d be fired. This was echoed by a Special Adviser: “I feel sorry for

the Non-Execs because I think they have been roped into another useless exercise. The Civil Service keeps them at arm's length."

In contrast, a Coalition Minister considered Non-Executive Directors to wield a disproportionate level of power: "I watched these Non-Execs with real ignorance of the underlying processes of this department influencing and informing decisions I was powerless to effect. It's profoundly undemocratic."

This was not a universal view amongst Coalition Ministers however: "I was deeply sceptical...the kind of idiotic thing that politicians do. Our experience has been wholly positive. They have really contributed in terms of bringing a different perspective, challenging officials, working with officials."

The primary success of Non-Executive Directors relies on the way Secretaries of State utilise and engage with the departmental boards. The Government's intention is that Secretaries of State should chair departmental boards, giving Non-Executives and Ministers an established relationship for the first time. A Non-Executive Director believed that these measures were "good because it properly gets Secretaries of State to chair the departmental board and implicates them in the delivering the business of the department." As a result, in their particular department the Non-Executives "had very good visibility with the Minister." In some departments Junior Ministers felt excluded from this process and were only invited to certain board meetings: "I think it's an absolute disaster because it alienates Ministers from the most important decisions in the department."

Even where there was support for Non-Executive Directors, it was accepted that they had limited capacity to reform the Civil Service. As one Non-Executive Director commented: "Compared to having the right Minister, the right policy, a well-qualified Civil Service which is capable and Permanent Secretary who 'gets it' – my contribution is a smidgeon. It's not even a bronze bullet, let alone a silver one." This was echoed by a former Minister: "It's not a substitute for doing a lot of other things, it's reinforcement."

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**"It's not a substitute for doing a lot of other things, it's reinforcement."**

## Civil Service culture

The Civil Service Plan highlights the culture of the Civil Service as being "cautious and slow-moving, focused on process not outcomes, bureaucratic, hierarchical and resistant to change." This was echoed by many of those who were interviewed who considered negative organisational culture as the main factor holding back the Civil Service: "the problem with the Civil Service is less about the individual and more about the culture and mind-set, which holds back some of the best and brightest."

Politicians in particular were infuriated by the pace of progress in most Whitehall departments. As a Minister in the previous administration commented with some exasperation, "fighting the inertia in Whitehall is often completely debilitating and frustrating." However, a sluggish response to policy implementation was not considered to be caused by an absence of skills but an underlying culture of risk aversion: "Politicians want to do things and the Civil Service often sees its role as trying to stop things ... so much energy is channelled in a negative way, resisting things or trying to slow things down." In some instances, Ministers thought departments purposefully blocked policies that were not in line with what it considered to be its public policy objectives: "You get the feeling often that there's a permanent agenda alongside a bit of box ticking for the Government of the day. The Department of Health is quite entrenched in the DNA to protect the NHS and NHS values. [A Minister] will feel more at home if their political agenda lines up with the permanent agenda of the department."

To deal with the absence of progress on policies, Ministers had occasionally resorted to drastic measures. A Minister in the previous administration recollected how he had resorted to developing a communication plan for a policy after the department claimed it

**“Everyone around the Cabinet Table is in competition with each other. The problem is that departments begin to mirror that.”**

was unable to implement a policy of that nature. Another discussed how she had announced that legislation would be forthcoming despite the department not having commenced any work on it: “There was a particular instance when there was a fairly low level bit of legislative work that needed to be done ... but nothing ever happened. Eventually I got so frustrated ... that I saw an opportunity to stand up in Parliament and said this consultation paper would be out by the end of the year so they [the officials] had to do it.”

The interviews also identified reluctance amongst departments to collaborate with one another in the implementation of cross-cutting policies. A Minister in the previous administration identified that “where two departments have a shared interest in something, that’s where Whitehall is at its worst. No one department takes responsibility, so only politicians drive it forward.” One Coalition Minister was increasingly reluctant to implement policies that required coordination across Whitehall because of the difficulties associated with assigning accountabilities: “Wherever you get an issue that spans different bits of a department, there’s the propensity for ‘buck passing’. Your best results are where there is very clear responsibility.” As one Non-Executive Director commented, Whitehall departments often mirror political rivalries: “Everyone around the Cabinet Table is in competition with each other. The problem is that departments begin to mirror that so if you’re looking at a cross cutting policy they start pulling in different directions because either they’ve got a good idea and they want the glory or they’re passing the buck.”

### **Working with Private Offices and the decision making process in Whitehall**

The decision making process in Whitehall is reliant on the process of submissions coordinated through Ministerial private offices. After an initial review by Private Secretaries, submissions are presented to Ministers at the end of every day for inclusion into their Ministerial ‘boxes’. Ministers are generally expected to take their ‘boxes’ home most evenings to read and make decisions on submissions.

The Civil Service Reform Plan does not comment on the operation of Private Offices and the decision making process in Whitehall. However, during the course of the interviews it became clear that Ministers, advisors and officials considered this to be a crucial factor for the smooth operation of Whitehall departments.

For Special Advisers who expected Permanent Secretaries to be the primary point of contact for the Secretary of State, the role and power of the Private Office was disconcerting: “I had a conception before I got in this building that I would get into here and the whole system would be geared up to do what the Secretary of State wants. So I’d assumed, perhaps naively, that the Permanent Secretary of this building, ie. The most important Civil Service here would be sitting outside the Secretary of State office barking orders... telling people what to do and getting things done. I actually found outside the Secretary of State office, a private office filled with private secretaries.” In some cases the private office was considered to be a barrier to effective dialogue with officials: “If the Secretary of State wants something to happen, he has to tell his private office who then tell people downstairs in the policy team what they want... they’ll then write a sub and they’ll send that back up as the answer. An intelligent way would be if the Secretary of State wants something to happen to get everyone in a room and discuss it.”

By and large however, Ministers were more positive in regard to Private Offices. A Minister in the previous administration was emphatic that “without Private Office functioning in the way it does, things would really grind to a halt. It would be a very very unproductive relationship between Ministers and the Civil Service.” Ministers rely on

their Private Offices to “explain the department to the Minister and the Minister to the department [to] bring realism to both sides and understanding of each other’s position.” There also appeared to be significant difference in the way departmental Private Offices functioned: “My Private Office prioritised ruthlessly and made sure they gave me a small box. We’d just have meetings and it would get done.”

However, there is greater consensus that decision making using the system of Ministerial boxes and submissions was generally ineffective. The general quality of submissions was considered to be poor. A senior official conceded that “a really well written submission is that it doesn’t bother to waste Minister’s time...there’s clarity and brevity. Most of them don’t meet that.” A Coalition Minister also acknowledged that most submissions presented “the lowest common denominator...in an effort to reach consensus to the Minister.” Another commented that submissions were just an opportunity for officials “to produce a ‘thing’, which they might be jolly pleased with and twenty people have tweaked.”

Relying on Ministers to make decisions through submissions was considered “intrinsically wasteful” according to a Coalition Minister. The length of time it took for submissions to be drafted and the number of people who inputted into the process made it ineffectual. As the Minister explained “if you took an hourly rate and worked out how much a submission cost you’d find they were costing thousands. You could just ask me – ‘shall we do that?’ And I’d say, ‘yes’ or ‘no’ and it would take two days.” The system is also seen to encourage poor decision making from Ministers: “you get to look at it at midnight when you’re tired. What’s the average length of time someone looks at a sub, three minutes? So either you skim it or fall asleep.” To others, the submissions system would not be accepted in any other environment: “Imagine, the CEO will literally make every decision in the entire company and what we’ll do is give him quite long pieces of paper to take home, before he goes to bed to take with him, to have a glass of wine, scribble on and bring back in.”

The box system was also considered to be ultimately unsuited to reactive and responsive government. A Minister in the previous administration explained that “the box system doesn’t work in real time when you are making decisions in a crisis.”

**“There’s clarity and brevity. Most of them don’t meet that.”**

## Role of Special Advisers

Special Advisers are personal appointments made by Ministers to assist in the exercise of their political duties. During the period of their appointments Special Advisers are employed as temporary civil servants but due to their proximity to Ministers they are regarded as highly influential individuals. When the Coalition Government came to power in 2010 it imposed a limit of two Special Advisers per Secretary of State to control the costs of political appointments in the Civil Service. However due to the nature of coalition politics the number of Special Advisers has risen from 66 in 2010 to 85 as of June 2012.<sup>7</sup> The Coalition Government has also come under scrutiny for the relationship between Special Advisers and the press. Following recent concerns, the Public Administration Select Committee conducted an inquiry calling for better training and accountability of Special Advisers.<sup>8</sup>

Despite concerns about the responsibilities and conduct of Special Advisers there was agreement amongst respondents that Special Advisers had a crucial role within departments. Echoing the findings of the Public Administration Select Committee, one former Permanent Secretary argued that Special Advisers performed a role that officials were unable to fulfil: “I was extremely grateful that [Special Advisers] were doing lots of things I would never do or encourage my civil servants to do but the Minister wanted to be done.” However, a Special Adviser believed their primary role was to progress chase,

<sup>7</sup> *The Guardian* (2012), “Number of political Special Advisers rises despite pledge to cut back”, 18 June.

<sup>8</sup> Public Administration Select Committee (2012), *Special Advisers in the thick of it*, Sixth Report of Session 2012–13.

a role that was meant to be undertaken by Principal Private Secretaries and other private office officials: “If the SpAds aren’t project managing this, saying get me this, where you are on this, stuff actually doesn’t happen. The amount of politics that I do, like talking to MPs and putting out quotes that whack the opposition are 4 or 5 per cent of my time.”

Although officials acknowledged that relationships with Special Advisers and senior civil servants could be tense, they believed that open communication channels could facilitate effective relations. A former Permanent Secretary stated that “I think Special Advisers are a necessary part of the machinery of government. I used to see my Special Advisers every Friday morning, so they knew what I was doing, I knew what they were doing.” The reputation that Special Advisers were unaccountable was considered to be an inaccurate representation of the position by others: “At least SpAds are appointed by the Secretary of State who is accountable to the electorate. So you’ve got his very direct democratic link.”

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# 3

## The supporting evidence

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**“Right now there is no consequence of the performance management system. We collect reams of information; we just don’t do anything with it.”**

Civil Service Official

## Summary

- Whitehall has shown it is incapable of reforming itself. Change has to be driven and it has to be driven by Ministers.
- The Civil Service undertakes regular reviews of its performance and effectiveness but fails to act on the findings.
- Capability Plans, People Surveys and Capability Action Plans identify recurrent failings in the same areas year-on-year, including poor leadership, weak performance management and deficiencies in the execution of policy.

**“Capability Plans, People Surveys and Capability Action Plans identify recurrent failings in the same areas year-on-year.”**

Changing the structure of central government departments has historically been of little interest to the public, who have typically been more concerned about the quality of service they receive from schools, hospitals and the police. Outside of Westminster it is unclear how Whitehall departments and executive agencies work together. In 2004, Tony Blair attempted to make the link between the Civil Service and effective public services by praising the Civil Service for bringing “tangible results to the citizen” by “changing the law; by innovating; by setting targets; by leadership; by focusing on results.”<sup>9</sup> He went on to argue that the Civil Service needed to be smaller, more strategic and more specialised if it was to remain relevant for “governments of any colour in the era of globalisation.”

The economic downturn and its unique challenges have put the spotlight on the Civil Service and its ability to develop and implement policies that might return the UK to growth. At the heart of this is the Treasury, which must set out and drive a credible plan focused on creating sound public finances and a system of on-going fiscal discipline that eliminates the deficit and reduces debt. The Treasury must also convince the spending departments that public service reform is a key requisite for a more dynamic and productive economy. In turn, individual departments need to take responsibility for scaling back services, opening them up to competition and generally making the public sector more efficient. The state of the public finances means that the Civil Service must change its culture if it is to become a catalyst for reform rather than the protector of the status quo.<sup>10</sup>

## Identifying the problems

Numerous external reviews and initiatives have called on the Civil Service to become more professionalised<sup>11</sup>, efficient<sup>12</sup>, more expert<sup>13</sup>, and more responsive<sup>14</sup>. Other organisations, including *Reform*, have warned of the need to tackle systematic weaknesses in the structure and capability of the government departments.

The Civil Service has responded by undertaking a number of its own reviews identifying areas for reform and notional processes to achieve that. Most notably the Capability Reviews, established in 2005 by the then Head of the Civil Service, Lord O’Donnell, sought to identify weaknesses in leadership and management across all government

9 Blair, T. (2004), *Speech on Civil Service reform*, 24 February.

10 Public Administration Select Committee (2011), *Change in Government: the agenda for leadership*. “Today, the Government is expecting the Civil Service to reform itself and to downsize at the same time.”

11 Public Expenditure Survey Committee (1961), *Government Expenditure* (The Plowden Report). It argued that the remit and resources handled by the Civil Service meant it should professionalise its management structures.

12 Ibbs, R. (1987), *The Next Steps* (Ibbs Report). It raised concerns that the Civil Service was inefficient due to its size which also encouraged duplication amongst departments.

13 Fabian Society (1964), *The Administrators*.

14 HM Government (1999), *Modernising Government Initiative*. Launched to encourage more responsive and better public services.

departments.<sup>15</sup> The reviews aimed to address growing concerns within government that Whitehall was failing to perform its duties to the standard expected by Ministers and the public.<sup>16</sup> Dame Helen Ghosh, former Permanent Secretary of the Home Office, said in evidence to the Public Administration Select Committee that Capability Reviews were intended to make “basic systems better, sorting out financial management systems and HR processes, but more importantly, making us [the Civil Service] more flexible to the changing priorities and requirements of Ministers”.<sup>17</sup> The Reviews further intended to provide a transparent, external assessment of the “future needs” of departments.<sup>18</sup>

The formal Capability Review programme took place over two phases. The first phase was staggered across departments from 2006-2008, and the second from 2008-2009. Since 2010, departments have scaled down the programme into “a new wave of Capability Action Plans” which have discontinued the utilisation of the external assessors, with the exceptions of Department for Energy and Climate Change (DECC), Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MoD).<sup>19</sup>

**Table 1: Capability Review results 2008-09<sup>20</sup>**

Sources: Tranche 2 Capability Reviews by department (2008-2009)

	Number of departments				Develop- ment scores (-)	Positive scores (+)
	Urgent develop- ment area	Develop- ment area	Well placed	Strong		
<b>L - Leadership</b>						
L1 - Set direction	0	3	10	3	3	13
L2 - Ignite passion, pace and drive	1	7	5	3	8	8
L3 - Take responsibility for leading change	0	6	8	2	6	1
L4 -Build capability	2	13	1	0	15	1
<b>S - Strategy</b>						
S1 - Focus on outcomes	1	5	8	2	6	10
S2 - Base choices on evidence	0	5	6	5	5	11
S3 - Build common purpose	0	8	8	0	8	8
<b>D - Delivery</b>						
D1 - Plan, resource, prioritise	1	8	6	1	9	7
D2 - Develop clear roles, responsibilities and delivery model(s)	3	11	2	0	14	2
D3 - Manage performance	0	9	5	2	9	7

<sup>15</sup> Civil Service (2009), *Capability Reviews: Refreshing the model of capability*, p 4.

<sup>16</sup> Sir Peter Gershon's report, *Releasing resources to the front line: Independent Review of Public Sector Efficiency* (2004), published alongside the 2004 Spending Review, argued that reduced numbers of assets and resources would not affect overall levels of service provision. Sir Michael Lyons' *Independent Review of Public Sector Relocation* (2004), published at the same time, proposed greater levels of Civil Service relocation from London and the South-East to cut costs.

<sup>17</sup> Public Administration Select Committee (2011), *Change in Government: the agenda for leadership*. Oral Evidence, p.EV34. 1 February.

<sup>18</sup> Cabinet Office (2006), *Capability Reviews Tranche 2: Common themes and summaries*.

<sup>19</sup> O'Donnell, G. quoted in *Capability Review Programme*, www.civilservice.gov.uk [Accessed 4 January 2013].

<sup>20</sup> The Capability Model was refreshed in July 2009. Tranche 2 was the last set of full reviews conducted by external assessors. All the reviews in phase two were conducted using the original model of capability <http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/Previous-model-capability.pdf> (Accessed 7 January 2012).

The results identified the main area of concern as building capability (L4) under the Leadership criteria. 15 out of 16 departments considered this as either an Urgent Development Area (2) or a Development Area (13). It demonstrated that Whitehall departments were struggling to identify and nurture talent amongst individuals and teams and ensure there were sufficient skills to deliver departmental objectives. Performance management was also considered to be a problem, in particular rewarding good performance and tackling poor performance and ensuring that performance objectives were aligned to the strategic objectives of the organisation.<sup>21</sup>

**“All 15 departments that have published Action Plans identify capability gaps in the development of people.”**

The other main area of concern in the Capability Model was Delivery and the execution of policy. 14 departments in total were assessed as having problems with developing clear roles and responsibilities (D2). Three departments regarded it as an Urgent Development Area. Weak performance in developing clear roles and responsibilities demonstrated that the centre/headquarters frequently failed to clarify its purpose and struggled to agree roles, responsibilities and accountabilities for delivering strategic outcomes. Departments also did not have suitable delivery models to deliver strategic outcomes demonstrating the absence of innovation in the delivery of public services. Of the other capabilities, nine departmental reviews highlighted the management of performance (D3) as a Development Area, indicating the absence of sufficient information to track performance and manage risk, with particular emphasis on the quality of financial information.

A review of the most recent Capability Action Plans in 2011-2012 without external oversight highlights ongoing capability gaps in these same areas.<sup>22</sup> The results show that all 15 departments that have published Action Plans identify capability gaps in the development of people, demonstrating declining performance since the last tranche of Capability Reviews. Departments still did not have sufficient people with the right skills and leadership, poor performance was not sufficiently tackled and good performance not properly rewarded. Furthermore, leadership and management talent was not effectively nurtured amongst teams and individuals.<sup>23</sup> Despite the 2008-2009 Capability Reviews highlighting similar problems, seven departments scored themselves amber/red in this area demonstrating that remedial action had not been put in place to fill capability gaps or weaknesses had not been identified. Eight departments scored themselves amber/green, demonstrating that there were capability gaps but improvements were being made.

The story is the same for the other area of weakness from the 2008-2009 Reviews – developing clear roles and responsibilities. As before, all 15 departments that produced Action Plans recognised capability concerns in this area, up from 14 in 2008-2009 which accepted it as either a development or urgent development area.

The annual Civil Service People Survey that has been conducted since 2009 to gauge officials’ attitudes to and experiences of their work, professional relationships and commitment to organisational objectives, presents a similar picture.

<sup>21</sup> Ibid.

<sup>22</sup> The 2012 Capability Action plans have replaced the competencies of taking responsibility for leading change (L3) and building capability (L4) in the 2008 Capability Model with an amalgamated competency of developing people (L3).

<sup>23</sup> Civil Service (2009), *The model of capability*, “Develop people” (L3). <http://www.civilservice.gov.uk/about/improving/capability/model> (Accessed January 18 2013)

**Table 2: Key People Survey results 2009–12**

Sources: The Civil Service (2012), Civil Service People Survey 2012: benchmark results.

	All numbers as %			
	2012	2011	2010	2009
<b>Performance management</b>				
B17. I think that my performance is evaluated fairly	62	62	62	63
B18. Poor performance is dealt with effectively in my team	37	37	37	38
<b>Leadership and managing change</b>				
B40. I feel that [my organisation] as a whole is managed well	43	40	41	40
B43. I believe that [the board has] a clear vision for the future of [my organisation]	40	39	35	36
B44. Overall, I have confidence in the decisions made by my organisation's senior managers	39	36	36	36
B45. I feel that change is managed well in [my organisation]	29	27	27	27
B49. I think it is safe to challenge the way things are done in [my organisation]	40	38	39	39
<b>Expertise and Skills</b>				
B33. I have the skills I need to do my job effectively	88	88	88	87
<b>Reward</b>				
B38. I am satisfied with the total benefits package	33	34	39	44
<b>Organisational confidence</b>				
B50. I am proud when I tell others I am part of [my organisation]	53	52	55	56
<b>Implementing change</b>				
B55. I believe that [senior managers] in [my organisation] will take action on the results from this survey	43	39	38	37
B57. Where I work, I think effective action has been taken on the results of the last survey	32	29	n/a	n/a

**“Only 37 per cent of respondents agreed ‘poor performance is dealt with effectively in my team’.”**

As with the Capability Reviews conducted by external assessors and senior managers, employees across the Civil Service are disenchanted with senior managers who are unable to tackle poor performance appropriately. Between 2009–12 an average of 37 per cent of respondents agreed “poor performance is dealt with effectively in my team” (B18). There was also little confidence in senior managers and their capabilities to deliver change with an average of 37 per cent of respondents between 2009–12 stating they had “confidence in the decisions made by my organisation’s senior managers” (B44). There is significant variation in departmental performance and the higher scores in the Foreign and Commonwealth Office (FCO), Department for International

Development (DFID) and the Treasury help to mask the lowest scores in several key delivery departments. At the Department for Work and Pensions (DWP), responsible for delivering the Government's important Universal Credit programme, only 16 per cent of those surveyed had confidence in senior managers, whereas this rose to 53 per cent in the Department for International Development.<sup>24</sup>

The People Survey also demonstrated reluctance amongst Civil Servants to challenge the status quo, with only an average of 39 per cent of respondents between 2009-12 considering it "safe to challenge the way things are done in [my organisation]" (B49). However, there was confidence amongst employees that they had the right skills to deal with their functions with 88 per cent of respondents between 2009-12 stating they had the right skills to do their jobs effectively (B33). This was also in contrast with the Capability Reviews, which regarded "building capability", including the employee skills, as the primary concern for departments.

Most tellingly the results of the People Surveys demonstrate that Whitehall cannot be expected to reform itself. Since the surveys began in 2009, an average 31 per cent of employees agreed with the statement "effective action has been taken on the results of the last survey" (B57) and 28 per cent of that change was managed well (B45).

### All words, but no action

The Civil Service has been successful in identifying and highlighting its problems. However, there has been a conspiracy of optimism in the way in which problems are dealt with on the part of Senior Civil Servants and an absence of will on the part of Ministers to properly manage departments.

For instance, despite having the highest proportion of amber/red capability gaps in the 2012 Action Plans and a decline in overall performance since 2008-09, the Permanent Secretary at the Department of Health introduced the department as "an agile and responsive organisation known for our strengths in delivery and our ability to tackle and deal with complex problems as they arise."<sup>25</sup> Similarly, the Department of Culture Media and Sport, which was consistently identified in the Capability Review process and continues to be identified within its own departmental People Survey as a department with significant capability gaps and weak management, asserts in its Capability Action Plan that it is a "a Department which has a good story to tell."<sup>26</sup> Likewise, Department for Environment and Rural Affairs (DEFRA)'s People Survey shows that only 27 per cent (down 5 per cent on the previous year) of DEFRA civil servants "have confidence in the decisions made by DEFRA's Senior Civil Servants" and only 34 per cent (down 4 per cent) "believe the actions of Senior Civil Servants are consistent with DEFRA's values." Yet DEFRA confidently asserted in its Capability Review Action Plan that, "The senior leadership team exercises active, visible leadership and has set a clear agenda to raise the performance of the Department to one which works at its best most of the time. Engagement with staff on change has been well received and has influenced the shape of the programme ... Talented people are identified and supported so that the right people are available to fill key posts."<sup>27</sup> The evidence of Department for Work and Pensions (DWP)'s most recent published People Survey<sup>28</sup> shows that only 35 per cent of DWP staff agree that "Poor performance is dealt with effectively in my team," which represents a drop of 3 per cent since the previous year, yet DWP's Capability Action Plan asserts that "there is some evidence that poor performance is beginning to be addressed"<sup>29</sup>.

24 Based on 2011 results. 2012 departmental results are not published until at least February 2013.

25 Department of Health (2012), *Capability Action Plan*.

26 Department for Culture Media and Sport (2012), *Capability Action Plan*. Only 37 per cent of those in the 2011 People Survey agreed with the statement "I believe my department is managed well", down two points from the previous survey and four points lower than the rest of the Civil Service.

27 DEFRA (2012), *Capability Action Plan*, p.10.

28 Department for Work and Pensions (2011), *Department for Work and Pensions Autumn Survey*.

29 Department for Work and Pensions (2011), *Capability Action Plan*.

**“Enduring gaps in capability also demonstrate that when implemented, reform programmes can be lacklustre.”**

In other instances, there is a clear dissonance in the official and public perceptions of a department’s strengths. The Department for Transport Action Plan emphasised that “There is a strongly embedded culture at the DfT of using evidence to inform policy development and strategy” and draws particular attention to its “strength in identifying value for money” recognised through “a Civil Service Award for its delivery of excellent financial management”.<sup>30,31</sup> An award presented to the department shortly before it was accused of “damning failure” by an independent inquiry examining the breakdown of a major tendering process for the West Coast Mainline.<sup>32</sup>

Amongst the Capability Review Action Plans, the glaring exception is DECC, whose report is damning.<sup>33</sup> In addition to the Foreign and Commonwealth Office, DECC is the only Whitehall department to retain an adherence in its Capability Review Action Plan to the principle of Lord O’Donnell’s original Reviews and retain external assessors. Ironically, given the decision by Cabinet Office to allow almost all other government departments to abandon the transparency and consistency of approach that would enable such benchmarking, one its recommendations is for DECC “to benchmark its capability against the levels found in other Departments with significant delivery portfolios”.<sup>34</sup>

Enduring gaps in capability also demonstrate that when implemented, reform programmes can be lacklustre and fail to deal with the root cause of problems. Typically the Civil Service has dealt with problems through the implementation of training programmes as opposed to reforming structures and incentives. In the Department for Business, Innovation and Skills (BIS), weaknesses in performance management have been tackled by “the implementation of a Performance Management Strategy, including compulsory training for all BIS line managers to ensure they have the skills and competencies to effectively manage [the] performance of all our people”.<sup>35</sup> The same solution is undertaken at the Department of Health where performance management is dealt with by the delivery of “people skills courses to equip managers with the tools and behaviours they need to manage staff”.<sup>36</sup> There is no indication that departments have attempted to determine why performance is poorly managed, better reward good performance and manage poor performance and act on available data regarding sickness and long term absence.

The lack of seriousness with which Civil Service reform has been treated is due in large part to the absence of both political will and any serious inclination at the top of Whitehall to drive through change at departmental level.

30 Department for Transport (2012), *Capability Action Plan March 2012*, p.9.

31 Ibid., p.11.

32 Laidlaw, S. (2012), *Report of the Laidlaw Inquiry: Inquiry into the lessons learned for the Department for Transport from the InterCity West Coast Competition*, House of Commons, 6 December.

33 On “Leadership”, DECC’s Capability Action Plan report, published in June 2012, concludes that: “Substantial further development of its leadership, governance and management structures and processes are now required... Significant gaps in the set of skills available to it need to be filled urgently... The department does not have the capacity to deliver its portfolio. This is damaging delivery, and introduces the risk of loss of morale and commitment. DECC needs to be more innovative and forward looking in recruitment and ensuring maximum use of specialist skills across the Department so as to minimise the impact of central restrictions and develop capability...”

On “Strategy” it concludes: “There are significant gaps in the set of departmental strategies. The processes for using evidence and managing knowledge rigorously and systematically are not yet in place, and more needs to be done to ensure adequate understanding and assimilation of external views .... DECC staff have inadequate understanding of policy impacts on the ground and what works in practice...”

On “Delivery” it concludes: “DECC has a challenging delivery agenda and therefore needs to benchmark its capability against the levels found in other Departments with significant delivery portfolios. DECC does not actively manage at the portfolio level. Project approvals are considered in isolation and there are no established mechanisms for resolving whether DECC’s delivery capability matches its ambition; for establishing the relative priority of projects; or for considering cumulative risks across the portfolio. .... DECC does not at present have the capacity to deliver all of its current programme. This perception is shared by over half of the surveyed stakeholders .... Recruitment of delivery skills has been slow and DECC does not have a basis on which to prioritise resource allocations, or to understand the impact of scarce resources on delivery timetables and policy outcomes”.

34 Department for Energy and Climate Change (2012), *DECC Capability Action Plan*, p.11.

35 Department for Business, Innovation and Skills (2012), *Capability Action Plan*.

36 Department of Health (2012), *Capability Action Plan*.

Since the 2010 election, despite the pledges of Lord O'Donnell and Francis Maude, the Capability Review programme has been wound down, and with an ironic nod to the Government's own transparency agenda, the principle of transparent benchmarking between reviews and across departments was quietly defenestrated.<sup>37</sup>

Although Lord O'Donnell's 2009 report committed the Civil Service to "continue with a two-yearly cycle of full reviews and interim progress reporting", this does not appear to have been done. Indeed, since 2010 the process and by which the Cabinet Office was notionally to drive capability improvements across government against consistent and transparent benchmarks has been quietly dismantled. Alterations to the framework were made despite Lord O'Donnell's pledge that the Capability Reviews would retain "demonstrably the same framework as before, to ensure both continuity and stretch".<sup>38</sup> Moreover, it flies in the face of the specific recommendations of the National Audit Office in its Assessment of the Capability Review programme of 2009:

**"Our interviews and survey show that departments are struggling to develop effective indicators to measure their capability, especially in the areas of leadership, strategy and staff skills. The Cabinet Office has so far been unable to provide effective guidance and assistance despite having made the development of metrics a requirement of the Capability Review process."**<sup>39</sup>

Capability Action Plans, the successor to Capability Reviews, have removed external oversight and been handed over to departments as self-assessments. Despite being responsible for overseeing the programme, the Cabinet Office has not undertaken either a Capability Review Action Plan since 2008.<sup>40</sup>

In 2010 the Prime Minister launched departmental Business Plans with grand assurances they were "going to help transform our country" by bringing "about a power shift - a radical redistribution of power from governments to communities and people".<sup>41</sup> The Plans were designed specifically to monitor if departments were effectively delivering the Government's key policy objectives and apply pressure by publishing progress against performance. In reality Business Plans have had been of limited benefit to either departments or the public. The Plans have focused on the detail of how policies are delivered as opposed to whether they successfully achieve the intended outcomes or if they are aligned with the Government's priorities.<sup>42</sup> Reviews of the Plans have highlighted that information is often out of date, not linked to relevant measures of performance and inconsistently presented.<sup>43</sup> In using the Business Plans, the Government has also been guilty of the same tendency to gloss over the problems of government departments. For instance, despite the Government's failure to meet over 70 of its pledges, the Deputy Prime Minister concluded the Coalition has been "overwhelmingly successful".<sup>44</sup>

Without the necessary levels of political will to guide the process, Civil Service reform quickly stagnates. A review of the departments which have been most successful in making changes to its workforce under the Coalition Government indicates that political

**"Without the necessary levels of political will to guide the process, Civil Service reform quickly stagnates."**

37 "I think it was a very good, brave move to make Capability Reviews public, and we'll stick with them". Francis Maude, quoted in *Civil Service World*, April 2010. Following discussions between *Reform* and civil servants covering the dissonance between Francis Maude's quotation and the decision by Whitehall to flout it by making the capability reviews secret, the quotation was mysteriously removed from the Capability reviews website: <http://webcache.googleusercontent.com/search?q=cache:Vs9BW5VI5ToJ:www.civilservice.gov.uk/about/improving/capability/press+I+think+it+was+a+very+good,+brave+move+to+make+capability+reviews+public,+and+we%E2%80%99ll+stick+with+them&cd=1&hl=en&ct=clnk&gl=uk>

38 Civil Service (2009), *Capability Reviews: Refreshing the model of capability*, p.4.

39 National Audit Office (2009), *Assessment of the Capability Review programme*, p. 40.

40 Civil Service, *Capability Review reports*, <http://www.civilservice.gov.uk/about/improving/capability/reports> (Accessed 9 January 2013).

41 Cameron, D. (2010), *Speech on Business Plans*, 8 November.

42 For instance, the Department for Business, Innovation and Skills lists its most recent actions as "Prepare and run a pilot of the Research Excellence Framework (REF) submissions system" and providing "Quarterly progress updates on successful projects that have signified final contracts" (Accessed 9 January 2013).

43 Institute for Government (2012), *See through Whitehall*.

44 *The Daily Telegraph* (2013), "Cameron hits out at claims he wanted to bury 'secret audit'", 9 January.

support is a necessity. The Department for Education has pledged to reduce the number of civil servants by 1,000 after the Secretary of State, Michael Gove, indicated that the department should focus on areas of work that add the most value.<sup>45</sup> Similarly, the Ministry of Defence has forced through a radical restructure of its head office after the Levene Review identified structural problems in how the department was organised and decisions taken.<sup>46</sup>

In both these cases departments and their Secretaries of State have shown leadership and taken an active interest in challenging the organisational status quo. The same should be done of the whole Civil Service by examining whether the core structures and processes of the Civil Service are still relevant or appropriate. Putting in place compulsory training programmes ignores the elephant in the room, which indicates that structural reform and a new employment culture of shared and accountable relationships between Ministers and officials is required.

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<sup>45</sup> Department for Education (2012), *The Department for Education Review – Review Report*.

<sup>46</sup> Levene, P. (2011), *Defence Reform: And independent report into the structure and management of the Ministry of Defence*.

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## The Government loses patience

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**“The idea that you can do real Civil Service reform now led by the Civil Service is bonkers. It will not happen and it will not work. If you want Civil Service reform to happen it needs to be led by someone outside who can genuinely do it and come up with a genuine plan. And then to be honest, the only time you probably going to make it happen is with a fresh, new mandate. You need a fresh victory, and a fresh plan and the political will to really ram it through.”**

Coalition Special Adviser

## Summary

- > The Coalition Government failed to grasp the importance of Civil Service reform in its first two years.
- > Attitudes have shifted since the summer of 2012 when the Civil Service Reform Plan criticised the rotation of officials and poor management. However, the Plan has not been suitably radical in its proposals.
- > Crucially, the Plan does not commit full Ministerial support to the achievement of change. Whitehall reform is again left to Whitehall.

**“The Coalition Government began its time in office with a strong defence of the Civil Service that it inherited.”**

## 2010 and 2011: Plus ça change, plus c’est la meme chose

Like its predecessor, the Coalition Government began its time in office with a strong defence of the Civil Service that it inherited. Speaking at a *Reform* conference on 7 July 2010, Francis Maude declared himself to be a “big fan” of the traditional Civil Service. In fact his concern was that officials had become “marginalised” by Special Advisers and by the use of external consultants.<sup>47</sup> On the following day, speaking at Civil Service Live, David Cameron said that he had “huge respect and admiration for the Civil Service.”<sup>48</sup>

A harbinger of change came in March 2011. Speaking to the Conservative Party Spring Conference, David Cameron referred to some civil servants as “enemies of enterprise”, in particular regulatory “bureaucrats in government departments” and “town hall officials who take for ever with .... planning decisions.” This was strong language but Ministers did not follow through.

On 5 July 2011, Francis Maude told an audience at Civil Service Live “how much government – not just this government, all governments – values the Civil Service.” He did make recommendations for change, such as a smaller Civil Service, but nothing that amounted to a change in structure.

On 11 July 2011, the Prime Minister launched the Open Public Services White Paper. This was notable for all but ignoring Civil Service reform. The White Paper set out principles for the reform of every other public service, based on competitive provision and greater accountability to consumers and local electorates. But the accountability and skills of civil servants were not mentioned. The White Paper did explain that government’s role would change, to become essentially the funder and regulator of

<sup>47</sup> Maude, F. (2010), Speech to *Reform* conference, *Reducing the deficit and reforming public services*, 7 July, in Nolan, P. (ed.), *The first hundred days, Reform*. “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”.

<sup>48</sup> Cameron, D. (2010), Speech at Civil Service Live, 8 July.

**“The Plan itself was another defence of the existing structure of the service.”**

public services rather than the provider.<sup>49</sup> But the specific implications of that change were not discussed. The Paper promised a consultation on these implications which did not materialise.<sup>50</sup>

In October 2011, Francis Maude told the Public Administration Select Committee that it would be unnecessary and even ineffective to produce a White Paper on Civil Service reform. He said that the room for improvement in the Service lay in a change of “culture”, which needed to be achieved by individual departments rather than through any central action from the Cabinet Office.

In March 2012, David Cameron told the House of Commons Liaison Committee that the doctrine of Ministerial accountability should remain in place.<sup>51</sup>

The great exception in this period was the Levene Review, commissioned by the then Secretary of State for Defence, Liam Fox, in August 2010 and published in June 2011.<sup>52</sup>

### June 2012: the Civil Service Reform Plan

Contrary to Francis Maude’s words, the Cabinet Office did produce a paper on Civil Service Reform eight months later. The Plan itself was another defence of the existing structure of the service. On the symbolic issue of Ministerial appointment of Permanent Secretaries, the Plan merely called for Ministers to have “stronger influence”. Otherwise, the Plan called for a more capable Civil Service without offering any structural solutions to achieve it.

The Plan sets out the following headings for successful Civil Service reform:

- > clarifying the future size and shape of the Civil Service;
- > improving policy making capability;
- > implementing policy and sharpening accountability;
- > building capability and improving organisational performance; and
- > creating a modern employment offer for staff.

It makes the following key recommendations:

- > implement more rigorous performance management by developing a tougher appraisal system and a standardised competency framework across Government. Identify the top 25 per cent and bottom 10 per cent of performers in the Senior Civil Service;

49 Cabinet Office (2011), *Open Public Services White Paper*. “Government has a continuing role to play in open public services at all levels. The central state will continue to have an essential role in open public services, but it will be a very different one from the past and much will depend on locally elected authorities: parish councils, local authorities, Police and Crime Commissioners and mayors. Instead of seeking to run services directly, the role of the central state is being redefined as overseeing core standards and entitlements (such as school floor standards and NHS waiting times), fair funding (such as the Pupil Premium or tiered payments for different client groups within the Work Programme) and equality of access (such as setting the School Admissions Code)”.

50 Ibid. “Developing open public services, along with the wider decentralisation of power to the local level, has profound implications for the role of Whitehall in the future. The Government will consult on these core government roles in the future. In particular, we will consult on the future shape of the policy, funding and regulatory functions in Whitehall and the various service funding agencies, regulators and public service Ombudsmen”.

51 House of Commons Liaison Committee (2012), Oral Evidence: Evidence from the Prime Minister. Q395 Mr Jenkin: “Good afternoon, Prime Minister. Since we last discussed this big change programme of yours, turning government on its head, the Government have announced that they are going to have a Civil Service Reform Plan published, which I very much welcome – it was one of our recommendations. Returning to the question of accountability, does not the ambition to delegate and decentralise much more bring into question the whole traditional doctrine of Ministerial accountability to Parliament? Doesn’t it actually change it?”  
Mr Cameron: “I don’t think so, because as well as studying Norman St John–Stevens’s Select Committee reforms, I understand Ministerial accountability to mean that the Minister is accountable for the actions of his Department and civil servants and is accountable to the House, and the Select Committees help to bring that accountability forward. You can also summon and discuss issues with civil servants, but the Minister is accountable for the actions of that Department. You do not detract from that by making sure that those things that come under his or her umbrella—schools, hospitals or welfare programmes – are also more accountable to the people who actually use them”.

52 Levene, P. (2011), *Defence Reform: An independent report into the structure and management of the Ministry of Defence*.

- strengthen Ministerial influence over Senior Civil Service appointments and make the responsibilities of accounting officers on major projects and programmes more transparent;
- strengthen capabilities in areas such as commissioning, contracting and digital skills where current capacity is low. Deploy individuals corporately across Whitehall departments to allow individuals to be matched to areas where there is the greatest corporate need;
- unify the Civil Service by making shared services the norm and develop talent across the Civil Service;
- create a modern employment offer for staff by undertaking a review of what good, modern employers would provide to allow the Civil Service to remain “among the best employers in the country”; and
- ensure the widest possible engagement with external experts by commissioning policy research from outside Whitehall, for example from businesses, charities and think tanks.

**“Senior officials reported that the Plan had not led to any changes in their daily working lives.”**

Speaking in Parliament at the launch of the Plan, Francis Maude emphasised that it did not challenge the “fundamental model” of the Civil Service.<sup>53</sup> Speaking in July, he referred to the recommendation on Ministerial appointment of Permanent Secretaries as a “tweak”.<sup>54</sup>

In terms of the key structural problems identified in this report, the Plan is equivocal. For example, it identifies the problem of frequent movement of officials but it does not pledge to root out this culture. Instead, it accepts that frequent job changes advance “the needs and priorities of the Department”.

The Plan lists new efforts to identify good and bad performers. But officials interviewed for this study report that there is already considerable effort to measure performance and other employment data, such as sickness absence. The problem is that the data is not acted on. The Plan’s key recommendation is a clearer assessment of performance for the Senior Civil Service which accounts for only 4,418 of the 460,000 total civil servants (including those in operational delivery roles).

The Plan ignores the problems on the political side. It seeks to increase the influence of Secretaries of State over appointments of Permanent Secretaries, thereby shifting the balance of power towards the political half of government. But it says nothing about the ability of Ministers to undertake their responsibilities.

In interviews for this project at the end of 2012 and in 2013, senior officials reported that the Plan had not led to any changes in their daily working lives.

The National Audit Office published a Memorandum on the Civil Service Plan in January 2013. The Memorandum supported the objectives of the Plan. It noted, however, that implementation had been uncertain:

53 *Hansard* (2012), 19 June, Column 749. “Our proposing change which responds very much to concerns within the Civil Service does not mean that we think that the fundamental model is wrong. Arguments are made for a more American approach, but one would lose many important benefits such as the institutional knowledge, continuity and ease of transition through that approach. We have therefore worked within the constraints of the model as it is, but much can be done within those constraints. None of the changes need be massively controversial or dramatic, but together they will make a real difference to the way in which the country is governed”.

54 House of Lords Select Committee on the Constitution (2012), *The accountability of civil servants*, Oral and written evidence, p.76. “I do not think anything in our Civil Service Reform Plan is revolutionary, for sure. A lot of the things that we are proposing are themselves not huge, if you take them on their own. If you add them together and implement them, which is an absolutely crucial part of it, they will amount to real change. Insofar as appointments are concerned, I think you are right; it does not amount to more than a tweak”.

**“Immediately after the Plan’s publication in June 2012, there was a hiatus while a team was assembled to take forward implementation. The Cabinet Office has now set up a team, under a new Director General for Civil Service Reform. The detailed plans, including identifying actions and action owners, governance, communications objectives, and a framework for tracking benefits, are being completed, but some deliverables, such as the Civil Service Capability Plan, have slipped.”<sup>55</sup>;**

**“The team has also undergone a ‘starting gate review’ by the Major Projects Authority. This gave the Plan an initial amber/red rating for delivery risk, which will be updated once implementation arrangements are more advanced. The review’s recommendations have been taken into account when designing the new governance and team structures”<sup>56</sup>.**

The Memorandum emphasised the importance of Ministerial support for change:

**“Previous reforms have tended to fall short of real transformation because of a lack of sustained political leadership, a lack of engagement of civil servants within departments in driving change themselves, and a lack of clarity and rigour in targeting and tracking the benefits”<sup>57</sup>.**

## Time for a change

The actual turning point followed the publication of the Civil Service Reform Plan itself in June 2012. The launch of the report reportedly generated dissent in Cabinet, with other Ministers calling for much more radical solutions, including fixed term contracts for Permanent Secretaries.<sup>58</sup>

Shortly after, a clear change of mood emerged from the Cabinet Office.

In July, Francis Maude gave evidence to the House of Lords Constitution Committee in which he gave new arguments in favour of political appointment. Specifically he challenged the idea that political appointment was incompatible with the idea of appointment by merit.<sup>59</sup> He said that Ministers would not appoint according to the politics of the candidate because what matters to them is the delivery of policy.<sup>60</sup> He said that Ministers have long been able to move Permanent Secretaries, albeit not in a transparent way.<sup>61</sup> He referred to the fact that Jack Straw claimed to have appointed

55 National Audit Office (2013), *Memorandum on the 2012 Civil Service Reform Plan*, p.8.

56 *Ibid.*, p.29.

57 *Ibid.*, p.8.

58 *The Times* (2012), ‘Ministers demand right to sack Whitehall mandarins’, 18 June. “Last week key Ministers, including Michael Gove, the Education Secretary, tried to block proposals for Civil Service reforms, due to be published tomorrow, claiming that they were not radical enough. The Times now understands that the main row at Cabinet was over whether Ministers should be able to pick their most senior officials and put them on fixed-term contracts. Mr Gove and others want to have the flexibility to appoint outsiders from business or the wider public sector. Ministers are also keen to appoint other senior officials”.

59 House of Lords Select Committee on the Constitution (2012), *The accountability of civil servants*, Oral and written evidence, p.77. “I know of nothing that says that, as a matter of law, a choice on merit cannot take place if there is a politician involved in the choice. How could that be the case? If it were the case that merit is only capable of being shown if politicians are rigorously excluded from taking part in the choice, then Secretaries of State should be debarred from exercising a veto, which it is widely accepted they should have. It is a matter of ordinary common sense. You cannot impose on a Ministerial head of department a Permanent Secretary who is unacceptable. I think there is a lack of openness and of clear logic here, which I think it would be valuable for your Committee to explore”.

60 *Ibid.*, p.79. “There are two separate things. The first is the issue of politicisation. Most decisions that Ministers make, whether they are about personnel or anything else, are not political decisions, in the sense of being party-political decisions. They are simply not. Most of what Ministers do in their daily lives is not about party politics. It is about driving a programme through. It may have a political origin. You would be insane, frankly, to seek a mediocre Permanent Secretary who you thought might be politically congenial over a first-class deliverer, a first-class Permanent Secretary about whose politics you are unclear”.

61 *Ibid.*, p.79. “To deal with your point about a Permanent Secretary needing to serve other Ministers as well as the current incumbent: I completely accept that, but the reality is that, as Lord Powell has said, it has ever been the case that Secretaries of State, one way or another, have the final say in whom the Permanent Secretary is. It is just done in a rather hole-in-the-corner way. It has ever been the case that, if a new Secretary of State comes in and finds that they cannot work with the incumbent, a change ought to be made and will be made. While the Permanent Secretary is there not just for the current incumbent and does not have a term coterminous with the Secretary of State, there is no sense and never has been a sense of complete and immovable permanence”.

three Permanent Secretaries during his time at the Home Office, Foreign Office and the Ministry of Justice.<sup>62</sup>

In August, the Cabinet Office announced that the first contract financed by the Contestable Policy Fund would investigate the radical reform ideas implemented in Australia, New Zealand, Singapore, the United States, France and Sweden.

The systems of Australia and New Zealand have received particular attention. Both of these systems, in different ways, create stronger accountability at the top of the Civil Service:

- > In New Zealand, the Civil Service is formally independent of Ministers. It is accountable to Ministers through contracts for performance. Given this independence, it is possible for officials to publish opposing views to those of Ministers.
- > In Australia, Ministers appoint a stronger private office including political appointments. They are able to appoint up to around a dozen officers who can be members of the Civil Service or external appointments. Civil servants are able to return to the normal Civil Service after their time in the private office.

**“In October, Francis Maude said that Permanent Secretaries had ‘blocked’ the implementation of government policy.”**

In October, Francis Maude said that Permanent Secretaries had “blocked” the implementation of government policy.<sup>63</sup> He said that civil servants should be “directly accountable” to Ministers.

In November 2012, the Department for Education published what was presented as a radical programme of internal reform.<sup>64</sup>

In December 2012, the Civil Service Commission responded to these developments by publishing a formal defence of the existing arrangements for appointment of Permanent Secretaries. It argued that Ministers should be “consulted at each stage of the appointment process”, i.e. at the “outset”, and then meet the short-listed candidates. In the Commission’s view, that is the limit for Ministerial involvement:

**“The Commission, however, stops short of allowing the Secretary of State to choose from a list of appointable candidates. The final decision on who to recommend remains with the independent selection panel chaired by the First Civil Service Commissioner. The Prime Minister may decide not to appoint the recommended candidate, but in that case the selection process starts again”.**

## 2012: new evidence on the need for change

The Public Accounts Committee (PAC) has published a number of relevant reports which support the case for Civil Service reform. A regular finding is the lack of capability within departments to draw up contracts with external providers and then to enforce them. The Committee has repeatedly criticised the “churn” of officials in and out of the management of major projects and contracts.

<sup>62</sup> Hansard (2012), 19 June, Column 749. “I welcome the substance of what the Minister said and the bipartisan tone in which he put it. In particular, may I welcome his proposals for greater involvement by Secretaries of State in the appointment of their Permanent Secretaries? I say by way of confession that, although I am not sure what the rules were at the time, in each of the three Permanent Secretary appointments that I made – in the Home Office, the Foreign Office and the Ministry of Justice – I insisted that there was a shortlist of at least three candidates from which I should choose. There was not the least allegation that I had acted in a partisan or cronyist way. The point that I made to those Departments was that if I was to take responsibility for the whole Department and for the work of that Permanent Secretary, I needed to have some confidence in the individual at the official top of the organisation”.

<sup>63</sup> *The Independent*, “David Cameron warned of rift with mandarins”, 2 October. “Mr Maude said that there had to be a ‘change of culture’ across Whitehall. ‘At the moment our system works on the basis that Ministers are accountable to Parliament, which is quite right. But what must flow from that is civil servants are directly accountable to Ministers. It sounds obvious but all too often it doesn’t happen .... Ministers from this Government, and in previous ones, have too often found that decisions they have made do not then get implemented. There are cases when Permanent Secretaries have blocked agreed Government policy from going ahead or advised other officials not to implement Ministerial decisions – that is unacceptable. And such exceptional cases undermine the sterling work of the majority of civil servants. Ministers, as the Ministerial Code outlines, should listen to the advice of their officials. Indeed, a Minister who neglected to consult his or her officials would be foolhardy. Yet once a Minister has made up his or her mind and given a decision, the constitutional role of the Civil Service is explicitly clear: it is to implement that decision.”

<sup>64</sup> Department for Education (2012), *The Department for Education Review – Review Report*

In 2012, examples included:

- > The Ministry of Justice's language services contract.<sup>65</sup> The PAC found that the Ministry was not an "intelligent customer". It did not know how much it was spending on interpreters. It did not conduct due diligence on the winning bid. It did not penalise the company adequately during the first months of very poor performance.
- > The Major Projects Authority.<sup>66</sup> Some departments do not see the benefits of working with the authority. The Treasury is not always using the Authority's reviews to inform its spending decisions. The Major Projects Leadership Academy may not improve the capability of civil servants either because they may leave for the private sector or they may move to another official position.
- > The Regional Growth Fund.<sup>67</sup> The Department for Business, Innovation and Skills and Department for Communities and Local Government did not have a clear plan to evaluate the Fund's effectiveness.
- > The Government Property Unit (GPU).<sup>68</sup> The GPU has followed merely an "opportunistic" approach to achieving savings, primarily by exiting buildings as leases expire. Departments continue to see property as an asset rather than a cost. Departments do not work together to reduce property costs.
- > Shared services.<sup>69</sup> The Cabinet Office did not provide the necessary leadership required to ensure that departments actually shared back-office services. Promised savings had not been measured, in some cases, or achieved.
- > Mobile police technology.<sup>70</sup> The Home Office does not measure the value for money achieved by the police. The programme was not based on the achievement of particular outcomes. The central procurement arrangements failed.
- > Reorganising central government bodies ("quangos").<sup>71</sup> The Cabinet Office's estimates of savings raised significant concerns. The Cabinet Office was not clear how it would measure the success of the programme.
- > Major projects at the Ministry of Defence.<sup>72</sup> The Ministry had not addressed the Committee's concerns, raised in 2010, over the "churn" of civil servants responsible for major projects.

The Committee did praise departments for delivering projects effectively. One example was the successful launch of the Work Programme.<sup>73</sup>

**"The Ministry had not addressed the Committee's concerns, raised in 2010, over the 'churn' of civil servants responsible for major projects."**

65 Public Accounts Committee (2012), *The Ministry of Justice's language service contract*, Twenty-First Report of Session 2012–13.

66 Public Accounts Committee (2012), *Assurance for major projects*, Fourteenth report of the session 2012–13.

67 Public Accounts Committee (2012), *The Regional Growth Fund*, Fifth Report of Session 2012–13.

68 Public Accounts Committee (2012), *Improving the efficiency of central government office property*, Eleventh Report of session 2012–13.

69 Public Accounts Committee (2012), *Efficiency and reform in government corporate functions through shared service centres*, Third Report of Session 2012–13.

70 Public Accounts Committee (2012), *Mobile Technology in Policing*, Second Report of Session 2012–13.

71 Public Accounts Committee (2012), *Reorganising central government bodies*, Seventy-Seventh Report of Session 2012–13.

72 Public Accounts Committee (2012), *Ministry of Defence: The Major Projects Report 2011*, Sixty-Eighth Report of Session 2012–13. See also Public Accounts Committee (2011), *The Major Projects Report 2010*, Twenty-Third Report of Session 2012–13. "Senior Responsible Owners (SROs) for major defence projects typically move post every two to three years, eroding accountability. It also seems common for the Department to appoint a single individual to be responsible for a wide range of different major projects – a task no one person can properly fulfill. "Responsible" means that such individuals should be held to account for delivering the project within an agreed budget and should have the authority to direct those involved in delivering the project. Neither is true in Defence. The Department should ensure that SROs remain in post during key phases of a project lifecycle. It should consider, as part of the work of the Defence Reform Unit, how to give them the authority and information they need to manage the delivery of the equipment for which they are accountable".

73 Public Accounts Committee (2012), *Department for Work and Pensions: The introduction of the Work Programme*, Eighty-Fifth Report of Session 2010–12.

**“The National Audit Office identified an absence of ‘strong project and programme management’ and a ‘considerable turnover in departmental senior positions’.”**

## **Cancelling of the franchise for the InterCity West Coast Main Line**

The cancelling of the franchise competition for the InterCity West Coast Main Line encapsulated the various concerns raised over Civil Service competence and habits. In its report published in December 2012, the National Audit Office identified an absence of “strong project and programme management” and a “considerable turnover in departmental senior positions”. It was particularly concerned that, “There was more than one senior responsible owner in the course of the competition, nor was there a single programme manager from the outset who brought together and coordinated the policy and delivery streams”.<sup>74</sup>

## **Lead Non-Executive Director’s Annual Report**

Lord Browne of Madingley published his Annual Report, as Government Lead Non-Executive, in May 2012. The Report emphasised that Non-Executive Directors (NEDs) were a new feature of departmental life which had yet to settle down. It made several recommendations as to how the departmental boards could work better, covering “prioritisation and agenda setting”, “quality of information”, “engagement by junior Ministers” and “calibre of secretariat support”.<sup>75</sup>

In his oral evidence to the Public Administration Select Committee in July 2012, he revealed that the Non-Executive Directors appointed to departmental boards were concerned about the quality of management. NEDs had discovered too many “priorities” and too little “management information”, i.e. “simply information on how you are doing against what you said you were going to do”.<sup>76</sup>

## **House of Lords Constitution Committee**

The House of Lords Constitution Committee published a report on the accountability of civil servants on 20 November 2012. Much of the report itself dealt with the accountability of civil servants to Parliament, and the Committee recommended that civil servants should be able to give evidence to Select Committees except “in exceptional circumstances” when Ministers exercised a veto. The inquiry did however provide further evidence on the wider issues of Civil Service reform.

- Margaret Hodge argued that the doctrine of Ministerial responsibility no longer applies because of the growth in size of government and the increasing use of

<sup>74</sup> National Audit Office (2012), *Lessons from cancelling the InterCity West Coast franchise competition*. “The competition lacked strong project and programme management, which included the following issues:

➤ There was more than one senior responsible owner in the course of the competition, nor was there a single programme manager from the outset who brought together and coordinated the policy and delivery streams (paragraph 2.3).

➤ The Department delaying the issue of the invitation to tender to allow more time for policy development used up all of its contingency within the timetable (paragraph 3.3).

➤ The Department’s documentation was poor and it did not submit papers to internal decision-makers in sufficient time for them to consider the information within them (paragraph 4.34).

➤ Staff worked hard to meet the deadline for awarding the contract. More widely within the refranchising programme concerns were raised about resources by the Major Projects Authority. However, nobody sought to address these issues in relation to this franchise competition (paragraph 2.9).

There has been considerable turnover in departmental senior positions. The Department has had four Permanent Secretaries in two years and changes of directors general. This was particularly unfortunate when the Department had undergone major change. Such high turnover impedes the Department’s ability to discharge its responsibilities for managing long-term projects and procurements (paragraphs 2.5 to 2.6).

<sup>75</sup> Government Lead Non-Executive (2012), *Annual Report Financial Year 2011–12*.

<sup>76</sup> Public Administration Select Committee (2012), *Government Lead Non-Executive Annual Report 2011–12*, Oral evidence.

non-governmental suppliers, paid for by government.<sup>77</sup> She further argued that the principle of transparency should also be applied to civil servants.<sup>78</sup> She also repeated the point about civil servants changing positions too often.<sup>79</sup>

- > Norman Fowler argued that Ministers needed to stay in post in order to hold them to account.<sup>80</sup>
- > Lord Butler raised the idea of placing a limit on the doctrine of Ministerial accountability. Ministers should only be truly accountable for those things for which they are actually responsible. Ministers should not be held truly accountable for those things for which they are not responsible, such as decisions taken by a previous administration.<sup>81</sup>
- > Charles Clarke revealed that he had sought the removal of one Permanent Secretary (Sir John Gieve) in whom he had lost confidence.<sup>82</sup>
- > Michael Howard revealed that he had successfully demanded the appointment of a certain type of Permanent Secretary, i.e. one that had not served in the Home Office.<sup>83</sup>

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77 House of Lords Select Committee on the Constitution (2011), *The accountability of civil servants*, Oral and written evidence, p.12. "Why have things changed and why has it become more difficult? First, the Government have got bigger. When Haldane established the constitutional convention that Ministers are accountable to Parliament and civil servants are accountable to Ministers, there were 28 civil servants in the Home Office. Now, despite the changes and the growth of the Ministry of Justice, there are 34,000. The idea that one Cabinet Minister can be accountable for the actions of some 34,000 people is, I think, mistaken. Secondly, government is more complex. There are cross-government issues .... I think that there is an essential disconnect in the whole argument put forward by the senior Civil Service in trying to defend the old traditions. If Ministers were really accountable for everything their civil servants do, they ought to be able to hire and fire, and yet to maintain Civil Service independence they cannot do so. To me that feels like an uncomfortable set of principles... I think that the practice has changed. Let us look back to the UK Border Agency when there was a Labour Government. Beverly Hughes resigned, and I cannot even remember what it was she resigned over, but she did so as a result of actions taken by a civil servant. She took the Ministerial rap for it. Compare that with Theresa May and the recent actions of Brodie Clark at the UK Border Agency, where she took a different view. Actually, I support Theresa May and her approach to where Ministerial accountability stops and civil servant accountability starts, but it is a change in practice from the conventional orthodoxy of where accountability should lie".

78 Ibid, p.16. "One final thing is that we are demanding transparency everywhere. I am about to have a session this afternoon on data transparency and the impact that has had on opening services to public account. Civil servants are probably the last vestige of where there is not proper transparency and where responsibility and accountability are not linked".

79 Ibid, p.23. "We always ask, particularly in relation to complex defence procurement contracts and so on, 'Who is the senior officer responsible and can we see them?' Quite often, they are not brought before us, too often because they change jobs frequently. If you ask what has gone wrong with a lot of government projects, it is because the civil servants, in the way that career progression in the Civil Service is currently handled, change jobs every two years. In defence or IT procurement cases, which are probably the major disasters that we see all too often, if the civil servants change every two years, a new one comes in and changes the specifications. That makes it more complicated and no doubt more money goes down the drain behind those changes. So if we were to go down the ladder to the senior responsible officer, which I would like to do, we would also require a change in the career structure for civil servants that would enable them to stay in the job. In defence procurement they probably cannot stay for the entire 20 years of buying something, but they could remain up to a sensible point at which a new civil servant could take over responsibility. Their reward for doing a job well should not only be a promotion to another job in the department".

80 Ibid, p.39. "The real problem with implementation comes from the fact that Ministers change position so often that it is very difficult to hold one Secretary of State accountable as far as a policy and its implementation are concerned because by that time he is trying to implement the policy of his predecessor. I think it is that position after the Minister has left and after the Act has gone through that we should be concerned about".

81 Ibid, p. 51. "During my time as Head of the Civil Service, I argued for the distinction between accountability, on the one hand, which Ministers were always subject to, and responsibility where they could not clearly be responsible for everything that happened in their departments".

82 Ibid, p.60. "The Prime Minister, through the Cabinet Secretary, directly influences the appointment of Permanent Secretaries across government—I think correctly so. Obviously, most importantly, that applies to the Cabinet Secretary directly or the Head of the Civil Service, where they are different posts. Then when key Permanent Secretaries are appointed, the Prime Minister is consulted. I used to be of the view that individual Cabinet members should not be involved in that process. That really is the view but I am being hypocritical in saying so, since, in my own case, I lost confidence in John Gieve, who was the Permanent Secretary at the Home Office when I became Home Secretary, and I felt—and said to the then Secretary to the Cabinet and to the Prime Minister—that I thought he should move. I also had views about who would be the best person to replace him, so I did put those views, but I put them to the Prime Minister and to the Secretary of the Cabinet".

83 Ibid, p.62. "In my time, I had a kind of unofficial right of veto over the appointment of a new Permanent Secretary, which I exercised. You did not have the right to choose your Permanent Secretary, although in the end I did get the person I wanted. I did not say, 'I insist on having X'. What I said was, 'I am trying to completely change the culture of the Home Office, so I do not want a new Permanent Secretary who has, at any point in his career, served in the Home Office.' The candidate that officialdom had lined up had spent a large part of his career in the Home Office. I had nothing at all against him personally, but I said, 'I'm afraid I want someone different.' That led to quite a prolonged argument – I suppose that is one word for it – involving the Cabinet Secretary and ultimately the Prime Minister, who resolved it in my favour".

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# 5

# History of Ministerial appointment of Permanent Secretaries

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**“I gather the Secretary of States have more influence about who the Permanent Secretaries are than is written down. So why don’t we just make it a formal thing? Political influence should be more transparent. The point is not to get someone in who you agree with politically, the point is to get someone who you have confidence in.”**

Minister in previous Government

## Summary

- Contrary to popular view, the Northcote–Trevelyan report explicitly supports political appointment of officials on the grounds of competence.
- The idea that the Civil Service should appoint its own leaders in fact emerged during the time of office of Warren Fisher (Head of the Home Civil Service 1919–1938). In 1941, Sir William Beveridge strongly criticised this change from the Northcote–Trevelyan principles. He concluded: “The Minister’s function in war as in peace is first and foremost that of finding the right men and giving them responsibility”.

## The myth of Northcote–Trevelyan

The basis of the current institutional arrangements of the British Civil Service is often described as the “Northcote–Trevelyan” principles – as outlined in Northcote and Trevelyan’s Report on the Organisation of the Civil Service (1854). This is a myth.

The Northcote–Trevelyan Report in 1854 was precipitated not by concern over “political impartiality” but by the inadequate performance of the Civil Service. Its focus was upon issues of capability and competence and on ensuring that civil servants had the ability and potentially the expertise to do the job expected of them. It regarded external recruitment to senior Civil Service posts as entirely desirable so long as the appointees were the best for the job. For nearly 70 years following the Northcote–Trevelyan report, the Civil Service retained an integral and established role for Ministers in the appointment and promotion of officials within their departments. It was under this system that Winston Churchill, the then President of the Board of Trade, appointed a young journalist William Beveridge to a Civil Service post in 1908 and in 1910 gave a similar Civil Service job to the Labour MP David Shackleton, who within six years had risen to become a Permanent Secretary.

The focus of the Northcote–Trevelyan report was not “political impartiality” or “objectivity” – it was performance management. It took a clear view of the performance management challenge: “in other professions [an employee]... as he is exposed to sharp competition on the part of his contemporaries, those only can maintain a fair position who possess the requisite amount of ability and industry for the proper discharge of their duties. The able to rise to the top; the dull and inefficient remain at the bottom. In the public establishments, on the contrary, the general rule is that all rise together.”<sup>84</sup>

This meant that if recruitment to each post was not subject to open competition at all levels: “After a young man has been once appointed, the public have him for life; and if he is idle or inefficient, provided he does not grossly misconduct himself, we must either submit to have a portion of the public business inefficiently and discredibly performed, or must place the incompetent person on the retired list, with a pension, for the rest of his life. The feeling of security which this state of things necessarily engenders tends to encourage indolence, and thereby to depress the character of the Service. Again, those who are admitted to into it at an early age are thereby relieved from the necessity of those struggles which for the most part fall to the lot of such who enter upon the open professions; their course is one of quiet, and generally of secluded, performance of

<sup>84</sup> Northcote, S.H. and Trevelyan, C.E. (1853), *Report on the Organisation of the Permanent Civil Service*, p.5.

**“They argued that for the most senior positions (such as Under Secretary of State) and for specialised roles, outside recruitment was obviously sensible.”**

routine duties and they consequently have but limited opportunities of acquiring that varied experience of life which is so important to the development of character”.<sup>85</sup>

This was not a situation that Northcote–Trevelyan believed to be tenable. Indeed, they stated their objective was “to obtain full security for the public that none but qualified persons should be appointed and that they will afterwards have every practical inducement to the active discharge of their duties.”<sup>86</sup> Northcote–Trevelyan’s approach was predicated upon the assumption that effective performance management would be at the heart of the newly reformed Civil Service. To achieve this, they argued, it would be necessary to ensure that, “if they prove decidedly incompetent, or incurably indolent, they must expect to be removed from [the Civil Service].”<sup>87</sup>

Northcote–Trevelyan argued that external appointments of politically convenient “men of slender ability and, perhaps of questionable character,”<sup>88</sup> over the heads of “meritorious” permanent officials acted as a performance disincentive to potentially hard-working permanent officials: they needed to have the prospect of a ladder of promotion to work for. Contrary to myth, Northcote–Trevelyan did not suggest that outside appointments should be precluded. Specifically they argued that for the most senior positions (such as Under Secretary of State) and for specialised roles, outside recruitment was obviously sensible. “Few public servants would feel the appointment of a barrister of known eminence and ability to some important position, like that of Under Secretary of State, as a slight or discouragement to themselves; but the case is otherwise when someone who has failed in other professions, and who has no recommendation but that of a family or political interest, is appointed to a librarianship, or some other such office, the duties of which would have been far better discharged by someone who had been long in the department, and to whom the increased salary attached to the appointment would have been a fair reward for years of faithful service.”<sup>89</sup> For senior external recruitment, Northcote–Trevelyan suggested parliamentary scrutiny of the justification for appointment.<sup>90</sup>

## Shift to official appointment after the First World War

Whitehall’s current structure was invented by two Treasury circulars in 1919 and 1920 which replaced the longstanding convention of Ministerial accountability of Civil Service appointments. From 1920 the power to hire and fire top civil servants was given to the First Lord of the Treasury, advised by the Permanent Secretary of the Treasury who henceforth became the Head of the Home Civil Service – a post that before the Treasury circular of 1919 did not exist. That new post of Head of the Home Civil Service was from 1919–1938 occupied by one man, Warren Fisher, and it is his ideal, not Northcote–Trevelyan’s, that today’s Civil Service reflects. This was re-codified by the 2010 *Constitutional Reform and Governance Act*, which vested the “power to manage the Civil Service” and “power to make appointments”<sup>91</sup> in the Minister for the Civil Service. Since the abolition of the Civil Service department in the 1980s this has been conducted by the Prime Minister.

Formally the new structure as set out in a Treasury circular of March 1920 retained the principle of democratic accountability. It declared “that henceforth the consent of the Prime Minister [as First Lord of the Treasury] was needed for the appointment and

85 Ibid.

86 Ibid, p.1.

87 Ibid, p.9.

88 Ibid, p.7.

89 Ibid, p.7.

90 Ibid, p.15.

91 HM Government (2010), *Constitutional Reform and Governance Act*, Part 1, Chapter 1:3. “Management of the Civil Service. (1)The Minister for the Civil Service has the power to manage the Civil Service (excluding the diplomatic service). (2)The Secretary of State has the power to manage the diplomatic service. (3)The powers in subsections (1) and (2) include (among other things) power to make appointments.”

removal of Permanent Secretaries, their deputies, principal finance officers and principal establishment officers in *all* departments, the Cabinet, on the recommendation of its Finance Committee, having approved the new dispensation the month before.”<sup>92</sup> As Peter Hennessy, the doyen of Whitehall studies has written: “After Lloyd George, interwar Prime Ministers (until Chamberlain began to prefer appeasers to non-appeasers) rarely used their prerogative to override the recommendations of Fisher and his college of Whitehall cardinals. All this was immensely effective in keeping out new blood. The Whitehall plasma may have circulated more rapidly but it was rarely renewed above the cadet entry grade of assistant principal. The system had truly become as monastic as its later critics claimed it to be. Fisher also saw the amateurism of his top men as a virtue.”<sup>93</sup> Hennessy goes on to emphasise, “the flaw in this otherwise admirable scheme for fluidity and mobility inside a rapidly circulating pool of talent was its cardinal characteristic of gifted amateurishness. It perpetuated... the phenomenon of the gifted dabbler.”<sup>94</sup> In his evidence to the 1931 Royal Commission on the Civil Service Warren Fisher asserted, “There is a lot to be said for musical chairs... interchangeability or transfer on promotion is a healthy thing as a principle... it is not the business of these permanent heads to be experts”.<sup>95</sup> For Hennessy, Fisher’s evidence was a, “description of a closed, self-perpetuating amateur caste dominating the commanding heights of this commanding profession.”<sup>96</sup>

**“It perpetuated ... the phenomenon of the gifted dabbler.”**

As Peter Hennessy has observed: “By the late 1930s the Civil Service was a staid organization at every level... a service in which the clerks were drawn from secondary schools, the executive officers from the grammar schools and the administrators from the universities – careers for life with very precious little movement from grade to grade.”<sup>97</sup> Orthodoxy and hierarchy had become entrenched in Whitehall, with the “expert caged and the generalist roaming free.”<sup>98</sup> The benefits of earlier innovations, in particular the determination to ensure that the top of the Civil Service was not self-selecting, were not realized until too late.<sup>99</sup>

## The Beveridge retort

William Beveridge argued that the weaknesses he found in Civil Service skills, capability and culture left Britain insufficiently prepared for war in 1939. Those weaknesses were directly attributable to the creation in 1919, in contravention of the principles of Northcote–Trevelyan, of an autonomous Civil Service independent of Ministerial or other influences on appointments and performance management and with an institutionalised predisposition to disregard the value of specialist expertise. *Reform’s* interview with civil servants, Ministers and advisers, both serving and former, reveal that the problems Beveridge highlighted following the abandonment of Northcote–Trevelyan in 1919 remain:

“Since the last war (1914–18) the conditions of appointment to the higher posts in each [Civil Service] department have been profoundly changed. Before that war the appointment of the principal permanent officials rested with the Minister for the time being. Now, every appointment of Permanent Secretary or Assistant Secretary requires the assent of the Lords of the Treasury, which means, to a very large extent, of the civil servant, again since the last war, who has received the new title of Permanent Head of the Civil Service, because he is Permanent Secretary of the Treasury. The effect of the

92 Hennessy, P. (1989), *Whitehall*, p.71.

93 *Ibid.*, p.75.

94 *Ibid.*, p.73.

95 *Royal Commission on the Civil Service* (Tomlin Commission) (1931), p.1276.

96 Hennessy, P. (1989), *Whitehall*, p.74.

97 *Ibid.*, p.87.

98 *Ibid.*

99 Before Warren Fisher’s Whitehall nearly “30 per cent of Permanent Secretaries appointed between 1900 and 1919 had begun life in another profession. Their average age was under 40. It was not unknown for former MPs and junior Ministers to become Permanent Secretaries” (Wilson, R. (2006), *Tomorrow’s Government Lecture, RSA*, 1 March).

new rule is obvious: it means that the men most likely to rise to be heads of their departments are men who suit the Treasury. The business of the Treasury is criticism more than construction, safety rather than adventure... Appointments, however vital, take longer to make; it would not be possible to organise a department today with the speed which distinguished the ministry of Munitions under Lloyd George... though the Civil Service as a whole contains its normal proportion of men with different types of mind, an undue proportion of higher posts today are held by the safe men suited to times of peace, rather than by the dangerous and constructive men whom the war requires. The Civil Service machine of today is not as well fitted for war as the Civil Service of 1914... the Minister's function in war as in peace is first and foremost that of finding the right men and giving them responsibility. It is not the function of himself conducting the whole business of his department".

### **The temporary reinstatement of open recruitment during the Second World War**

The needs of war forced action to improve Civil Service capability. During the Second World War, the obstacles erected under the Fisher era to prevent the ventilation of Whitehall by "outsiders" were temporarily removed and the contribution of "irregulars", including J. M. Keynes, Alan Turing, C. P. Snow, Harold Wilson and Hugh Gaitskell were an important leavening of Civil Service talent.<sup>100</sup>

As Peter Hennessy has written, "the mix of career regulars and outside irregulars blended between 1939 and 1945 represents the high point of achievement in the history of the Civil Service."<sup>101</sup> But post-war, when the mandarins pulled down the shutters and returned the Civil Service to the custom and practise of the Fisher era, little attention was paid by politicians to the question of whether this would impair its performance and effectiveness. There were a few civil servants, such as Oliver, later Lord, Franks, who urged that wartime experience be harnessed and that the Civil Service adapt itself more effectively to the managerial and delivery role it was increasingly expected to perform, but they were ignored.<sup>102</sup> For Peter Hennessy this was "probably *the* greatest lost opportunity in the history of British public administration."<sup>103</sup>

<sup>100</sup> Hennessy, P. (1989), *Whitehall*, p. 88.

<sup>101</sup> *Ibid*, p.88.

<sup>102</sup> *Ibid*, p.124.

<sup>103</sup> *Ibid*, p.120.

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# 6

## Improving performance management

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**“Often neither Ministers or civil servants are actually accountable for programmes which they’re delivering and therefore if you have impunity, if you’re never going to get punished or held to account, and suffer the consequences for lousy decision or you’re never going to be praised for good decisions it is only human nature that your motivation will suffer.”**

Coalition Minister

## Summary

- > The Ministry of Defence and Department for Education have commissioned separate reviews of how to improve Civil Service operation in these departments.
- > The Levene Review for the Ministry of Defence recommended increasing the length of time officials and Ministers stayed in post, replacing poorly performing officials and employing more people with specialist skills and expertise.<sup>104</sup> The recommendations were accepted in full by the Coalition Government.
- > The Department for Education Review identified that more staff should be assigned to clearly defined projects with end points, the simplification of complex governance structures and greater clarification of ministerial priorities.

The Government has held two reviews of Civil Service operation by department. The Levene Review of the Ministry of Defence reported in June 2011.<sup>105</sup> The Department of Education Review reported in November 2012.<sup>106</sup>

Both reviews address the core problems identified by the interviewees to this report. Of the two, the Levene Review was the more radical and comprehensive in its approach.

## Rotation of officials and skills

The Levene Review calls for “a system that, as a principle, allows individuals to stay in key posts for longer than they tend to at present. This would allow them to bring their expertise to bear, enhance continuity and a corporate perspective and make it easier for them to be held to account for their decisions and performance”.<sup>107</sup>

The Levene Review judged that, “specifically, standard tenures for the most senior posts should, as a guide, be increased from two to three years to four to five years”.<sup>108</sup>

The Levene Review argued that, “Defence should place greater emphasis on recruiting or developing people with the right skills and expertise, particularly in professional or more specialist functional areas”.<sup>109</sup>

The Department for Education Review noted that only 3 per cent of staff “are formally assigned to flexible teams where all the work is on clearly defined projects with end points”. It set a target of 30 per cent of staff in such teams in April 2013.<sup>110</sup>

## Performance management

The Levene Review recommended that, “the Department should manage senior individuals’ performance robustly and must be willing to replace those whose performance falls short”.<sup>111</sup>

<sup>104</sup> Levene, P. (2011), *Defence Reform – An independent report into the structure and management of the Ministry of Defence*.

<sup>105</sup> Ibid

<sup>106</sup> Department for Education (2012), *The Department for Education Review – Review Report*.

<sup>107</sup> Ibid, p.59.

<sup>108</sup> Ibid, p.59.

<sup>109</sup> Ibid, p.57.

<sup>110</sup> Department for Education (2012), *The Department for Education Review – Review Report*, p.7.

<sup>111</sup> Levene, P. (2011), *Defence Reform – An independent report into the structure and management of the Ministry of Defence*, p.59.

The Department for Education Review warned of “complex governance and monitoring arrangements, with multiple lines of accountability and similar information asked for by different boards and sometimes without a clear purpose or outcome”.<sup>112</sup>

### **Role of Ministers**

The Levene Review advocates a basic distinction between the role of Ministers, which concerns “focussed Ministerial oversight”, and that of the Permanent Secretary and Chief of Defence Staff, which is the “running” of the defence effort.<sup>113</sup>

The Levene Review recommended that Ministers should serve a longer term, for exactly the same reasons as for officials.<sup>114</sup>

The Levene Review advocated a reduction in the number of Ministers and a redrawing of their responsibilities consistent with the new organisation of the Ministry of Defence.<sup>115</sup>

The Department for Education Review called on Ministers “to set out their priorities”. “Business planning” will then “enable Directorates to match their resources to these priorities”.<sup>116</sup>

### **First Annual Review of the Levene Report**

In November 2012, Lord Levene published his first annual review of his report. While generally positive, it found that important weaknesses remained. These included the fact that most individuals did not remain in post for four or five years. Further, Lord Levene was unable to judge whether the new arrangements to empower Service Chiefs, and hold them accountable for performance, were effective.<sup>117</sup>

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<sup>112</sup> Department for Education (2012), *The Department for Education Review – Review Report*, p.8.

<sup>113</sup> Levene, P. (2011), *Defence Reform – An independent report into the structure and management of the Ministry of Defence*, p.24.

<sup>114</sup> Ibid.

<sup>115</sup> Ibid.

<sup>116</sup> Department for Education (2012), *The Department for Education Review – Review Report*, p.7.

<sup>117</sup> Levene, P. (2012), *Defence Reform Steering Group – First Annual Report*.

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# 7

## Conclusions and recommendations

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**“The efficient running of a government department has no bearing on their [Ministerial] career prospects. A Minister is interested in the media, how they do in Parliament, the next reshuffle. The stuff around making a department run properly is long term, there’s no political upside. The Prime Minister doesn’t say, ‘Well done!’ So if you wanted Ministers to engage in the process properly you’d need to send much clearer signal that this is something that is valued.”**

Coalition Minister

The interviews conducted for this research project have identified three core problems with the current operation of Whitehall departments:

- A style of employment and career planning which moves people between roles too quickly. This prevents officials from acquiring real expertise and absolves them from accountability for decisions; before a project has ended in success or failure, they have moved on. It also destroys the collective memory of the department and, ironically, often leaves Ministers and their political advisers with more experience of a particular project than their officials.
- A failure to act on performance, whether to penalise poor performance or reward the good. In some cases the system actively rewards poor performers, i.e. when officials are promoted simply in order to move them out of their current roles.
- An absence of will and necessary experience on the part of Ministers to manage departments, including tackling the problems above. Ministers also move positions too often to be properly accountable; Ministers also lack a performance culture, even more so in fact than officials.

These problems suggest why Whitehall has been so resistant to change. Past efforts at reform have not challenged these basic issues which are in fact deeply rooted into the structure of Whitehall and Westminster.

There have been complaints over the frequent movement of officials for many years. The real threat to the coherence of the Civil Service, the Public Administration Select Committee report of 2007 reveals, is not the recruitment of “outsiders” but what it calls the “central danger of regularly moving individuals between posts (or encouraging them to seek regular moves for themselves),” which it blames for “the loss of organisational expertise and institutional memory.”<sup>118</sup> As the former Home Secretary, David Blunkett, put it: “In a logical structure a team that has done well would not be disbanded but given new responsibility... People would be promoted in post to do that rather than what is clearly musical chairs in which someone is moved every 18 months or two years to get promoted. That is a crazy system”.<sup>119</sup>

The problems on the political side have been equally unchallenged. The previous Government, for example, left very few Ministers in post for any length of time. In retrospect David Cameron deserves great praise for his commitment to give Ministers the jobs which they had shadowed in Opposition, and for his wish to keep Ministers in those roles for some time. But as these interviews show, David Cameron has not chosen his Ministers for their ability to direct government, nor made efforts to improve their own performance.

Unless these basic problems are tackled, the current attempts at reform will also come to little. Further, there is no need for a Royal Commission, as some have proposed, which could well avoid these key problems as well. What is needed is to address the structural problems that stymie good government in Whitehall and Westminster.

<sup>118</sup> Public Administration Select Committee (2007), *Skills for Government*, Seventh Report of Session 2006-2007, paragraph 95.

<sup>119</sup> *Ibid.*

## Objectives of reform

The objective of reform was well put by one of the interviewees for this project, a Non-Executive Director:

“Compared to having the right Minister, the right policy, a well-qualified Civil Service capability and a Perm Sec who gets it — my contribution is a smidgeon.”

## Detailed recommendations

Interviewees made the following recommendations to address problems on both the official and political sides of government:

### Appointment of officials

- > Reduce the numbers of civil servants and pay them more. Remove the salary cap at the level of the Prime Minister’s salary.
- > Appoint people to jobs on the basis of skills and expertise – not simply to horizontal grades.
- > Keep officials in post for the length of projects.
- > Run competitions for appointments, including external candidates, in all cases.

### Performance management

- > Promote effective people faster.
- > Stop promotion of poor performers as a means to shift them away from their current responsibilities.
- > Apply basic employment law to manage poor performance.

### Ministerial skills and performance

- > Prime Ministers to set clear objectives for Ministers.
- > Prime Ministers to appoint and promote partly based on ability to run departments.
- > A stronger political operation in Number 10 Downing Street.
- > Ministers to set clear objectives for their departments.
- > Annual performance reviews for Ministers.
- > Secretaries of State to focus on a small number of core decisions, by delegating workload to junior Ministers and officials.
- > Presume that Secretaries of State and Permanent Secretaries will stay in post throughout a Parliament.

### Appointment of Permanent Secretaries and other officials

- > Allow Ministerial appointment of Permanent Secretaries, but with the caveat that Ministers need the right skills to do so and should appoint on merit.
- > Allow Ministerial appointment to a stronger private office, including political appointments, on the Australian model.
- > Presume that Permanent Secretaries and Secretaries of State will stay in post throughout a Parliament.

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**“Prime Ministers to appoint and promote partly based on ability to run departments.”**

## Responsibility for reform

Both officials and Ministers have a responsibility to improve their performance. Both officials and Ministers should be accountable for their actions.

But in terms of the implementation of reform, Ministers bear a particular responsibility. Whitehall cannot be expected to reform itself. Change has to be driven and it has to be driven by Ministers. Ministers have to accept a new political objective which is to hold their departments to account for their performance. The Prime Minister has to play his part by selecting and promoting Ministers partly on their ability to do so.

The ability of Ministers to appoint Permanent Secretaries – as was the position before 1920 – has become totemic in the Civil Service reform debate. Ministers should indeed have the power to appoint because that is the way to hold Permanent Secretaries to account. But what matters is what Ministers will hold Permanent Secretaries to account for. That certainly includes the delivery of Government policy. But it also includes the achievement of a new employment culture in their departments. One interviewee put it well:

**“If you want a managerial system for the rest of the Civil Service, you have to choose the Minister in a managerial way. You have to know he’s ethical, professional, organised, structured and knows what he’s talking about. You need a checks and balances system to manage this.”**

# Appendix A

## Overview of Civil Service reform from the 1960s onwards

It was only in the 1960s that serious questions were raised about the effectiveness of the Civil Service and in 1966 Harold Wilson established a committee of inquiry under Lord Fulton. Reporting in 1968, the Fulton Commission contained criticisms of the effectiveness of Whitehall.<sup>120</sup> It urged massive expansion of recruitment mid-career, but a limited scheme was quickly dropped under pressure from trade unions. Lord Fulton urged a substantial increase in the number of qualified accountants in the Civil Service. A year before the Fulton Report there were just 309 accountants; by 1979 there were still only 364.<sup>121</sup> While the Civil Service claimed in evidence to Parliamentary select committees in the 1970s to have implemented the main recommendations of the Fulton report in full, it had not in fact done so.

Edward Heath, meanwhile, brought in private sector consultants to improve efficiency in public services such as the NHS. Their recommendations urged better management, but instead of improving efficiency this led to the growth of managerialism, bureaucracy and red tape. Instead of better management the NHS got more managers; the two are often not the same thing. And managers remained keener on cutting frontline staff and spending on tangible outcomes rather than streamlining themselves.

A notable exception among Civil Service managers of the 1970s was Leslie Chapman, who was appointed Southern Regional Director at the Ministry of Works (later the government's Property Services Agency) during the late 1960s. Chapman investigated whether every job on his patch really needed to be done.<sup>122</sup> Chapman took action, made savings and found efficiencies. His Civil Service colleagues were horrified.

Increasingly frustrated, he resigned from the Civil Service in 1973 and in 1978 published an account of his experience in a book entitled *Your Disobedient Servant* which was acclaimed by the media. For *The Guardian*, it was “a rare chronicle of how millions of pounds of public money has been wasted”<sup>123</sup>. For *The Spectator*, it was “worth a dozen Royal Commissions”. Chapman's book also became a reference point for Margaret Thatcher and her team as they built up a case for how a Conservative Government could cut taxes by eliminating waste and inefficiency.<sup>124</sup>

Chapman's book ought to have proved useful for Labour Ministers struggling to address the consequences of the post oil-shock downturn. But when the Labour government of the 1970s came to focus on efficiency savings, the internal discussion became essentially about axing programmes rather than securing efficiencies. The reality of programmes and frontline services being cut in preference to efficiency savings being

<sup>120</sup> Parliament (1968), *The Civil Service, Vol. I, Report of The Committee 1966–68*.

<sup>121</sup> Ponting, C. (1986), *Whitehall: Tragedy & Farce*, pp. 197–198.

<sup>122</sup> The first study he undertook, at the Army Stores Depot at Bicester, revealed that the grass was cut to lawn standards even under pipes and cables, empty warehouses were heated to office standards and inter-city standards were applied to the depot railway. Other studies Chapman commissioned revealed the same pattern and suggested potential savings were available of 30 per cent in expenditure and more than 40 per cent in staff.

<sup>123</sup> Ponting, C. (1986), *Whitehall: Tragedy & Farce*, p.216

<sup>124</sup> It also made waves abroad in countries such as New Zealand and Australia which had inherited the British system of government.

secured was not because Labour Ministers were not keen to achieve efficiencies – the Civil Service machine largely ignored these efforts.<sup>125</sup>

The mechanisms to enable Ministers to secure insights into where efficiencies might be were also not in place. The system of deciding public spending priorities owed little to rational planning and more to the political weight of departments, Ministers and vested interests. As Joel Barnett, Chief Secretary to the Treasury throughout the Labour Government of 1974–79, explained in his memoir: “Expenditure priorities... [were] decided on the strength of a particular spending Minister and the extent of support he or she could get from the Prime Minister”.<sup>126</sup>

When Margaret Thatcher became Prime Minister in 1979 there was no shortage of places for her to follow through on her pledge to cut waste and inefficiency. And there was evidence to underpin it. A report on the Driver and Vehicle Licensing Agency (DVLA) found that about a third of posts could be abolished and “much of the staff’s time is spent sitting about waiting for work to arrive”.<sup>127</sup> There was also a great deal of initial political enthusiasm for confronting systemic weaknesses in the bureaucracy.<sup>128</sup> Yet despite pledging to tackle the cost of running central government, over the first two years of Margaret Thatcher’s Government, costs increased by 22 per cent.<sup>129</sup>

So what had happened? While Margaret Thatcher appointed Derek Rayner of Marks and Spencer to lead a small Efficiency Unit based in the Cabinet Office, the team allocated to him was too small for the scale of the task it faced. Moreover, it lacked Ministerial engagement: too many Ministers “felt that the management of their departments was not very far removed from doing a clerk’s job, and far beneath their dignity as policy-framing intellectuals and statesmen”.<sup>130</sup> Worse still, “new Ministers... could soon be taught [by the Civil Service] that Ministerial effectiveness, loyalty and ability were to be measured by their success in “fighting their corner” – which, freely translated, amounts to ensuring that whoever else faces the consequences of cuts, it is not their department”.<sup>131</sup>

In 1985, a report of the Efficiency Unit summed up what had been achieved: only half the planned savings had been made and even then they had taken twice as long as expected.<sup>132</sup> Forays into wider aspects of Civil Service pay and conditions hit the rocks. Early consideration of reform to Civil Service pensions was abandoned after it was realised that the army and police shared the same system and might object.

Margaret Thatcher’s Government found itself cutting back on capital investment and infrastructure projects, raising money to cut taxes through selling off nationalised industries and council houses, capping local government spending through cash limits and reducing the size of the state through salami-slicing departmental budgets, imposing departmental recruitment freezes and reclassifying state employees as non-state employees.<sup>133</sup> As Clive Ponting, who had been one of the main officials working in the Rayner Efficiency Unit in 1979–81, wrote in 1986: “The Civil Service is therefore smaller than it was when Thatcher came into office in 1979, but there is little evidence to

<sup>125</sup> Leslie Chapman very pointedly credited the Labour Ministers under which he served, including John Silkin, Bob Mellish and Jack Winterbottom, with having given his efforts every possible support. It was simply that the Civil Service machine had not followed through and the structure of Whitehall gave Ministers insufficient opportunity to take remedial action. When Conservative MP Paul Channon – later to serve in Margaret Thatcher’s Cabinet – became the Minister responsible for Chapman’s Department after the Conservative victory at the general election of 1970, he was as enthusiastic as his Labour predecessors and had just as little effect.

<sup>126</sup> Barnett, J. (1982), *Inside the Treasury*, p. 59.

<sup>127</sup> West, D. (1985), “Taking the axe out of storage”, *The Times*, 26 June.

<sup>128</sup> Chapman, L. (1984), *Waste Away*, p. 41.

<sup>129</sup> *Ibid.*, p. 42.

<sup>130</sup> *Ibid.*, p. 41.

<sup>131</sup> *Ibid.*, p. 39.

<sup>132</sup> *The Guardian* (1985), 1 November.

<sup>133</sup> Under Margaret Thatcher cuts to Civil Service numbers were achieved by ceasing to count the 425 staff at Kew gardens as part of the then Ministry of Agriculture, reclassifying the staff at Chelsea Hospital so as they were no longer part of the MoD and the 400 staff at the Historic Monuments and Ancient Buildings division of the Department of the Environment so as they were no longer counted as being part of the Department of the Environment. Their pay, conditions and employment terms remained essentially the same, as did their numbers and operation.

show it is more efficient, that reductions have been made in areas where there was over-staffing, or that there have been major financial savings as a result".<sup>134</sup>

The late 1980s saw a second effort which gave birth to the "Next Steps" agencies. Ministers hoped that transferring "delivery" functions out of Whitehall and into modern, new agencies, run by managers and free from the day-to-day meddling of Ministerial whim that efficiency would be improved. On a superficial level it was profoundly successful.<sup>135</sup> But all too often the agencies operated simply as government without the Minister. They were staffed by former Whitehall officials who modelled their empires on the systems and processes with which they had been comfortable before.<sup>136</sup>

In many respects the creation of agencies was little more than a reshuffling of the proverbial deckchairs. As Clive Ponting observed in 1986, "politicians have, particularly over the last twenty years or so, deluded themselves into believing that by changing the lay-out of departments real changes can be made in the way Whitehall works. This is an illusion, because the new departments are just like the old, manned by the same sort of people and operating within the same set of rules".<sup>137</sup>

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<sup>134</sup> Ponting, C. (1986), *Whitehall: Tragedy & Farce*.

<sup>135</sup> Peele, G. (2004), *Governing the UK: British politics in the 21st century*, p. 184.

<sup>136</sup> Indeed, the systems of pay, grading, promotion and recruitment owed a great deal to the standard Civil Service model, and higher managers were deemed to be part of the Senior Civil Service, defeating the very point of the independence they had been granted.

<sup>137</sup> Ponting, C. (1986), *Whitehall: Tragedy & Farce*, p. 123.

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