



House of Commons
Liaison Committee

**Civil Service: lacking
capacity: Government
response to the
Committee's First
Report of Session
2013–14**

**First Special Report of Session
2013–14**

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Liaison Committee

The Liaison Committee is appointed to consider general matters relating to the work of select committees; to advise the House of Commons Commission on select committees; to choose select committee reports for debate in the House and to hear evidence from the Prime Minister on matters of public policy.

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The powers of the Committee are set out in House of Commons Standing Order No 145. The Standing Orders are available on the Internet via www.parliament.uk

Publications

All publications of the Committee (including press notices) and further details can be found on the Committee's web pages at www.parliament.uk/liaisoncom

Committee staff

The current staff of the Committee are Andrew Kennon (Clerk), Philippa Helme (Second Clerk), Mark Hutton (Clerk to the National Policy Statements Sub-Committee), Katie Phelan-Molloy (Senior Committee Assistant) and Susan Ramsay (Committee Assistant).

Contacts

All correspondence should be addressed to the Clerks of the Liaison Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5675; the Committee's email address is liaisoncommittee@parliament.uk

Special Report

The Liaison Committee published a report entitled *Civil Service: lacking capacity* on 12 December 2013, as its First Report of Session 2013–14 (HC 884). The Government's response was received on 31 March 2014. This is appended below.

Appendix: Government response

1. The Government welcomes the Liaison Committee's interest in the capacity of the Civil Service, and in particular the issues raised in its Report about commercial and project management skills. It is the Government's firm and long-held view that, to succeed in the global race, Britain needs a world-class 21st century Civil Service capable of delivering this and future Governments' priorities, and running the best possible public services. This is precisely the urgency behind the 2012 Civil Service Reform Plan, and the "One Year On" progress report that followed in 2013. These documents set out a series of specific measures to build on the Service's underlying strengths, tackle its weaknesses, and through these and related improvement initiatives, the Government has already taken steps to learn the lessons of some of the projects referred to in the Committee's Report.

2. This Response sets out the Government's reforms that look to address concerns raised against the following themes: inconsistent contract management and lack of commercial skills; and failures of leadership and an unwillingness of officials to "take truth to power". It then goes on to respond to the Committee's six specific conclusions and single recommendation.

Contract management and commercial skills in the Civil Service

3. The Liaison Committee highlighted a problem of inconsistent contract management and a lack of commercial skills in the Civil Service, and questioned the ability of the Service to deliver long-term value for money for the taxpayer.

4. The Government agrees that commercial skills have not been sufficiently prioritised in the past. However, there are examples of good professional commercial work being done in the Civil Service, with excellent outcomes achieved for the taxpayer. And centres of expertise such as the Shareholder Executive in BIS or Infrastructure UK in the Treasury demonstrate that, with the right blend of external and more traditional Civil Service skills, it is perfectly possible to build strong commercial capability within Whitehall. The Government identified early on difficulties in attracting and retaining sufficient high-calibre staff and has taken steps to address this, for example by appointing a Chief Procurement Officer and establishing the Crown Commercial Service to help attract quality expertise. The Government has sought to meet skills gaps by enhancing learning and development provision across these areas: the Major Projects Leadership Academy and the Commissioning Academy give Senior Civil Servants opportunities to develop commercial leadership skills, and improve consistency and quality in planning for, managing and delivering contracts.

5. Nonetheless, the Government recognises that much more needs to be done and, including in response to the recent findings of the Cross-Government Review of Major Contracts, has committed to a series of further specific measures to address longstanding weaknesses in these areas. This includes joint Cabinet Office/HMT reviews to check implementation of the recommendations of the Major Contracts Review, secure departmental progress on a range of initiatives to improve capability across government and identify systemic issues.

Leadership and challenge

6. The Report raised concerns that failures in leadership had led to major projects—such as the Intercity West Coast train franchise and Universal Credit—going off-track, and failing to deliver value for money. Responses to concerns around these specific projects are covered later in this document. However, the Government does not agree that these examples indicate a wider failure, nor suggest that there is any systemic problem of trust and honesty in the critical relationship between Ministers and officials.

7. The Government has introduced significant reforms to improve departmental leadership: the enhanced Departmental Board model is a key element in making Whitehall work in a more businesslike manner. Appointing world-class leaders from the private, public and voluntary sectors as Non-executives and having Secretaries of State chair those boards has been an important step in promoting efficiency.

8. The Government also invited Lord Browne, the Government's lead Non-Executive Director, to report on major project execution and control in Government and how best practice from the private sector can be applied to government. The recommendations set out in "Getting a Grip", based on lessons learnt from the failure of large-scale projects in the private sector are currently being taken forward by the Major Projects Authority and look to improve ongoing project assurance and intervention, as well as post project audit so that lessons can be properly learned and disseminated.

9. This Government has been open about the importance of officials' speaking 'truth to power'. The Minister for Cabinet Office has expressed surprise at previous limited use by Permanent Secretaries of letters of direction to outline concerns with Government policy and been clear that these should not be seen as a "nuclear option".

10. A number of the reforms set out in the Civil Service Reform Plan intend to strengthen further the relationships between officials and Ministers, and officials and Parliament to provide greater clarity over accountability and encourage openness and challenge in pursuing the Government's policy objectives.

11. Publishing Permanent Secretaries' objectives, moving Permanent Secretary appointments to fixed tenure and introducing requirements that senior responsible officers for major projects should be directly accountable to Parliament will each serve to increase the visibility and public accountability of the most senior civil servants. It is intended that in turn these reforms will support open and frank discussion—'truth to power'—between Ministers and officials when considering *how* and when policy objectives are met and delivered.

12. The Government and the leadership of the Civil Service have been clear, however, that the idea that officials might seek to block Ministerially-agreed policy is unacceptable, and that any instances of this would be firmly dealt with by the Civil Service leadership, and should be considered by the Civil Service Commission. Moreover, this needs to be put in the wider context of this Government's record of setting out and delivering radical change across a broad front of public policy and public services, and the Civil Service's achievement in helping to deliver on these commitments against a backdrop of deficit reduction.

The Committee's specific conclusions

13. The Committee raised concerns in relation to several major projects requiring the Civil Service to manage contracts with the private sector. As above, the Government has maintained a strong focus on improving contract management and commercial skills and addressing capability gaps where previously the private sector may have outmatched civil servants in terms of commercial knowledge and awareness. The Major Projects Authority, set up in 2011, works to improve the success rate of delivery of major projects across Government, as well as simultaneously—through innovations such as the Major Projects Leadership Academy—drive up capability and skills in departments.

14. There are a number of examples where the Civil Service has achieved good outcomes in negotiating with the private sector, securing high quality services and value for money for the taxpayer. These include: savings of £800m through renegotiating contracts with Government suppliers; delivery of successful joint ventures such as MyCSP a joint venture between Government, the private sector and the organisation's employees that has reduced the cost of the service by 20%; improving procurement of identity assurance services in the Department for Work and Pensions, which has saved £115m between 2011 and 2013; and re-tendering a hosting contract and awarding the business to a SME for £60,000 at a saving of 98.5% from the incumbent big supplier.

15. The Government's overall reforms to procurement helped save taxpayers £3.8 billion last year alone. Where there have been failures, the Government has been quick to respond and invite external challenge and review to ensure it can swiftly and robustly address any weaknesses and drive up quality, as illustrated in the responses below.

16. Specifically:

- a) **Electronic monitoring**—as issues relating to billing on the Ministry of Justice's electronic monitoring contracts with G4S and Serco are now being investigated by the Serious Fraud Office, the Government is unable to comment on these matters specifically. However, action has been taken to improve the way contracts are managed within the Department, ensuring that issues are escalated appropriately. The Department has accepted all recommendations made in the recent independent review of contract management across major contracts and is working to implement them in full. It has also secured £68.5m (excluding VAT) from Serco and £108.9m (excluding VAT) from G4S to reimburse the Government for overpayments and to cover direct costs to government arising from these issues.

- b) **Intercity West Coast train franchise**—the Government does not agree with the Committee’s analysis that the termination of the West Coast Mainline franchise competition demonstrated a failure of coherent leadership with the Department for Transport. The Department acted quickly once the errors were identified, commissioning two independent reports. The Department has learned lessons from both reports and has shared these lessons across Whitehall. It has made good and rapid progress in implementing the organisational and operational changes recommended.
- c) **Rural Broadband**—The Government’s approach to the Rural Broadband Programme has been to secure value for money for the taxpayer so that as many premises as possible can gain the benefit of superfast broadband. The National Audit Office has recognised that this approach has reduced public cost and risk to Government. The programme, which is subject to extensive controls to manage costs during delivery, has now provided superfast broadband coverage to over 300,000 premises and is passing more than 10,000 per week, rising to 40,000 per week by the summer.
- d) **Universal Credit**—The Government notes the Committee’s assessment regarding the Department for Work and Pensions’ awareness and oversight of the Universal Credit programme. The reports quoted by the Committee (from the NAO and Public Accounts Committee (PAC)) do not cover progress on Universal Credit delivery since last April. The Secretary of State has always been deeply engaged with the Universal Credit programme. This includes intervening in 2012, when the Secretary of State recognised there were weaknesses in the programme management and acted to address the issues.

The Committee’s Recommendation

17. The Government does not agree with the Committee that it has no coherent analysis of why things go wrong, nor that the Civil Service Reform Plan is not based on a strategic consideration of the future of the Civil Service. As such, it is not persuaded by the argument in favour of a Parliamentary Commission and continues to have the concerns the Minister for Cabinet Office set out during evidence to the Public Administration Select Committee that it could be used to “displace current reform efforts, which are urgently needed and very broadly agreed”. This was also the view expressed by the Prime Minister during his appearance at the Liaison Committee (10 September 2013) and in the Government’s response to the Public Administration Select Committee Report on Truth to Power. As the Prime Minister stated in his evidence to the Committee “the analysis [of what needs to change within the civil service] is pretty clear. The reform now has to follow that.”

18. The Committee’s own focus on the commercial skills and capabilities of the civil service emphasises the urgent need for change. The Government firmly believes that focus should not now be a further analysis of where the Civil Service’s weaknesses lie, but on action to address these weaknesses, while maintaining a clear focus too on the implementation of the Government’s policy priorities and programmes.

19. The Civil Service Reform Plan was drawn up following extensive discussion and debate within the Civil Service, and builds on successive external reviews, including successive reports from relevant parliamentary committees and the National Audit Office. The Government has been transparent on progress against this plan, invited external input, for example through the use of the contestable policy fund to commission the Institute for Public Policy Research (IPPR) to contribute further ideas that could drive reform, and been open about the need to step up the pace of change. That being said, reforms recently or currently being introduced will inevitably take time to have effect.