



House of Commons
Public Administration Select
Committee

**Truth to Power: How
Civil Service reform can
succeed: Government
Response to the
Committee's Eighth
Report of Session 2013-
14**

**Fifth Special Report of Session 2013-
14**

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The Public Administration Select Committee (PASC)

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

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The powers of the Committee are set out in House of Commons Standing Orders, principally in SO No 146. These are available on the Internet via www.parliament.uk

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pasc>

Committee staff

The current staff of the Committee are Catherine Tyack and Sian Woodward (Joint Clerks), Rebecca Short (Second Clerk), Alexandra Meakin (Committee Specialist), Michelle Garratty (Senior Committee Assistant) and Eldon Gallagher (Committee Assistant).

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Fifth Special Report

The Public Administration Select Committee reported to the House on *Truth to Power: how Civil Service reform can succeed* in its Eighth Report of Session 2013-14, published on 6 September 2013. The Government's response was received on 20 December 2013 and is published in this Report as Appendix 1.

Appendix 1: Government Response

The Government welcomes the Committee's work to date on the reform of the Civil Service, and its continued interest in this subject. Britain is in a global race and to compete we need a world-class, 21st Century Civil Service capable of delivering the Government's priorities and the best public services.

The Civil Service Reform Plan was published on the 19 June 2012 by the Minister for the Cabinet Office (Francis Maude) and the Head of the Civil Service (Sir Bob Kerslake). The Plan set out a series of specific and priority actions to tackle long-standing weaknesses, build on existing strengths, and address the frustrations expressed by Ministers, civil servants and the public alike. The Minister and the Head of the Civil Service jointly published a "One Year On" report in July 2013, providing an honest account of progress to date. The Government is committed to picking up the pace on delivery, and driving the Reform Plan actions to a successful conclusion – with a single-minded focus on those actions which can be expected to realise the most significant benefits for taxpayers.

The Government has responded below to the Committee's report. The first part of the response addresses the Committee's single recommendation to establish a Parliamentary Commission into the Civil Service. The second part of the response addresses the points where the Government welcomes the Committee's support and the third part highlights specific areas where the Government does not recognise the Committee's observations.

The Government will keep the Committee informed about its broader thinking on Civil Service Reform, and looks forward to engaging with the Committee further on these important issues.

[...]a Parliamentary Commission should be established to consider the future of the Civil Service, established as a Joint Committee of both Houses[...] (Paragraph 150)

The Government does not accept the Committee's assessment that the evidence for a "comprehensive strategic review of the nature, role and purpose of the Civil Service is overwhelming."

Britain is in a global race, and to compete we need a world-class, 21st century Civil Service, capable of delivering the Government's priorities and the best public services. The Government's priority remains to implement its reform programme and drive the Reform Plan actions to a successful conclusion.

This Plan was drawn up following extensive discussion and debate within the Civil Service, and builds on successive external reviews. It focuses exactly on the strategic challenges facing the Civil Service. In the Government's view, the focus now should not be a further analysis of where the Civil Service's weaknesses lie, but on action to address those weaknesses. We need urgent change, invested with energy and purpose. We believe we have the right plan in place to do this, and note the support for this plan offered by the Chair of the Committee.

The Government is not persuaded by the Committee's argument in favour of a Parliamentary Commission. This was the view expressed by the Prime Minister during his appearance at the Liaison Committee (10 September 2013).

As acknowledged in the One Year On report, the Government has been frank about the need to step up the pace on a number of areas of reform. The priority now is to embed the existing plans for reform to ensure that the Civil Service delivers the best for Britain.

The Government welcomes the Committee's support in a number of areas.

These include:

- The need to empower civil servants to take decisions and take responsibility for those decisions. (Para 76)
- The agreement between the Government and the Civil Service Commission on the appointment of departmental Permanent Secretaries, which allows for increased involvement for departmental Ministers. The Government will continue to work with the Commission on this agenda. (Para 121).
- The Government's commitment to develop a longer-term vision for a reformed Civil Service (Para 52). The Government is currently considering how best to implement this action, and would be happy to engage with the Committee as the work develops.
- The Government's decision to publish the IPPR report on Civil Service Accountability systems (Para 44). However, the Government does not accept that this sets a precedent for all advice to be published in future. The decision to publish advice will be taken on a case by case basis. There will continue to be a need to protect policy advice to Ministers to allow a safe space for discussion and ensure the advice can speak 'truth unto power'.
- The Annual People Survey (Para 56). The Government do not however accept that the case has been made sufficiently for further independent assessment.

Observations which the Government do not recognise:

1. IPPR report – 'cherry-picked' ideas' and is 'simply validating the opinions of ministers' (paragraph 45)

The IPPR report has a strong evidence base for its conclusion. The report examined countries from the United States to France, and from Singapore to Sweden, with a particular focus on Westminster-based systems such as Australia, Canada and New Zealand.

There is no evidence to support the conclusion that IPPR cherry-picked in isolation aspects of any country's system or that its purpose was to validate Ministers' thinking. The purpose of the Contestable Policy Fund is to allow Ministers to draw directly on the thinking, evidence and insight of experts beyond Whitehall. This is what the IPPR report did. Both the Institute for Government and Reform have both come to similar conclusions, and the IPPR has written to you on this matter.

The recommendations span a range of different actions, which have universal relevance to all political parties. The relevance of this report is reflected in the broad support it received across the political system – including positive comments from Margaret Hodge and Baroness Hayter.

2. Case for reform (paragraph 51 and paragraph 176)

The Government does not accept that “no comprehensive assessment of the problems and challenges facing the Civil Service, and therefore no case for reform has been articulated,” or that we have not “learnt the key lesson from past failed attempts at reform.” The Government has repeatedly articulated the case for reform, and published an evidence base alongside the original Civil Service Reform Plan, which clearly identified what it believes the main challenges facing the Civil Service are: <http://www.civilservice.gov.uk/wp-content/uploads/2012/03/The-Context-for-Civil-Service-Reform-v2.pdf>

3. Unconvinced that Government is addressing concerns around Civil Servants blocking policy and the present culture is the antithesis of “truth to power” (paragraph 65 and 69)

The Government has been clear that the blocking of policy by civil servants is unacceptable behaviour. The role of the Civil Service is to serve the Government by implementing its policies.

There have been isolated instances under this Government and the last, when Ministers have raised concerns that officials have failed to implement agreed policies. Sir Bob Kerslake and Sir Jeremy Heywood said during their Public Administration Select Committee appearance on Civil Service Reform on 18 April 2013, that they would take examples of civil servants blocking Government policy extremely seriously. Where specific concerns have been raised, Sir Bob and Sir Jeremy have acted in a robust way.

4. Civil servants have conflicting loyalties to permanent secretaries and Ministers and “Extended Ministerial Offices” will create further confusion (paragraph 74, 79, 80, 81)

The evidence given to the Committee does not support the assertion that “officials find resistance is the only rational response”. Nor does the Government recognise this conclusion – it bears no resemblance to how the Civil Service operates in practice. As the Prime Minister stated in his appearance in front of the Liaison Committee: “There have always been good, robust relations between Ministers and officials; that is the way the system should work.”

The proposal to create “Extended Ministerial Offices” (EMOs) is not about “micro managing” a Department – it’s about improving efficiency and effectiveness, and has the full support of Sir Bob Kerslake and Sir Jeremy Heywood. The IPPR report demonstrated that direct support for Ministers is severely underpowered by comparison with other similar Westminster-based systems, a position supported by think tanks such as IfG and Reform. With the increasing pace and complexity of Government, Ministers need more support.

Civil servants in an EMO will be directly accountable to the Minister, so there is no potential conflict of loyalties. They will continue to respect the Civil Service values of impartiality, objectivity, honesty, and integrity. The Cabinet Office has issued and published guidance to Departments on the implementation of EMOs. A copy of this guidance is attached.

5. Scapegoats rather than lessons learned (paragraph 85)

The Government does not agree with the Committee’s analysis of the response to the termination of the West Coast Mainline franchise competition. In particular it does not accept that this episode shows a “tendency to locate the blame for failure on a few individuals... rather than to address wider shortcomings in systems and culture”.

Ministers and the Civil Service leadership are very committed to learning all the lessons when policies or their implementation go wrong. In this specific case, the Department for Transport acted both quickly and thoroughly in response to the events, commissioning two independent reports which were both expertly conducted and far-reaching in scope. The Department then began a rapid implementation of the organisational and operational changes they recommended, and has since made very good progress. These decisive measures recognise the need for change in order to get franchising back on track, and to rebuild confidence and capability in the Department.

Specific changes in response to these reports include:

- Re-organising all its rail functions into a single group under a Director General.
- Bringing all franchising activity into one directorate, with clear lines of accountability to the Director of Franchising.
- Appointing a dedicated Project Director for each franchise competition, responsible for leading the delivery of each stage of the competition.
- Designing and implementing new and strengthened approaches to governance, risk management, procurement and analytical assurance.
- Activities across the Department to encourage staff to recognise and escalate risk while also encouraging a responsible culture of problem solving.
- Re-launching the franchising programme itself. Two Invitations to Tender have now been issued, covering over 20% of the rail network, and the pre-qualification process on a third (East Coast) has begun.

- The Department treated the personnel dimension of this episode with great care and seriousness. In accordance with procedures in its Staff Handbook, the Department appointed Bill Stow, a retired Senior Civil Servant, to conduct an investigation into the role of individuals. Following this report, the Permanent Secretary initiated disciplinary action against a number of individuals.

6. Persistent lack of key skills and capabilities due to salary ceiling (paragraph 86)

The Government does not believe that the evidence upholds the Committee's view that there is a pay ceiling. Pay for senior staff is set at levels that enable departments to recruit, retain and motivate staff. The current resignation rates of under 3% are very low and show that SCS roles remain attractive in the market place.

Where there is a need to recruit and retain key people with particular skills and experience, we will pay more where it is necessary and appropriate. The introduction of a Pivotal Role Allowance for business critical roles is an example of this.

Nevertheless, we do agree that the Civil Service needs more people with deep commercial expertise.

7. Churn of officials (paragraph 92 and 125)

The Government is determined to strengthen and clarify the accountability of the Civil Service to Ministers and Parliament. We believe that the actions we have in place to help enhance accountability will help to manage churn and ensure that when officials move on they are still held to account for the work they completed whilst in post.

The relationship between Ministers and their Permanent Secretary is the most important in any department. The introduction of fixed tenure appointments for Permanent Secretaries sets an expectation that Permanent Secretaries will remain in post for five years (with extensions for a shorter period than five years possible where performance has been strong). This will help to better plan turnover, and increase Permanent Secretary accountability by defining a clear timeframe for the delivery of ministerial priorities.

We will also be publishing revised guidance on giving evidence to Select Committees (the "Osmotherly" Rules), following consultation with stakeholders, including the House of Commons Liaison Committee. This will strengthen and clarify the accountability of Permanent Secretaries and SROs to Parliament.

The Government expressed particular concern over the accountability arrangements and high turnover on Government's Major Projects in the 2012 Civil Service Reform Plan. The Major Projects Authority has developed best practice guidance regarding SRO appointments. This includes a comprehensive package for all new SROs – including a clear mandate and tenure set for their appointment that reflects the needs of their project.

The Government also published a revised version of "*Managing Public Money*" in July 2013. The revised guidance strengthens the Accounting Office role in signing off

documents, and sets the expectation that former Accounting Officers will give evidence to Select Committee hearings.

8. No serious consideration given to the relationships between Departments and the centre (paragraph 100 and paragraph 158)

The Reform Plan started the integration of back-office and some expert services such as legal, internal audit, and the procurement of common goods and services. But 'tweaking' the current model is not enough. Government cannot afford to continue in this way.

The Government committed in the One Year On report to design and deliver stronger corporate functional leadership for government, including (but not restricted to) human resources and information technology, together with further changes to procurement and communication services. Once completed, stronger corporate functional leadership will deliver potential further efficiency savings, and higher quality, more resilient support for the business of government.

In addition, Treasury's recent review on 'Strengthening Financial Management in Government' considered a number of issues, including leadership across the government finance function, the flow of management information and the framework of spending controls operated by the centre of government. It recommended strengthening financial leadership within government by creating a new role – Director General for spending and finance, which will combine the leadership of the Government's finance function with overall responsibilities for public spending; and to strengthen the relationship between the new role and the Whitehall finance community.

The Efficiency and Reform Group (ERG), in partnership with the Treasury, already works across government departments to deliver efficiencies, savings and reforms on behalf of UK taxpayers. Efficiency savings of £10 billion were delivered in 2012-13 in areas such as procurement and major projects. The Government's ambition is to deliver savings of £20 billion per annum by 2014-15.

Appendix 2: Cabinet Office guidance for Departments on Extended Ministerial Offices

Cabinet has agreed that Secretaries of State and other Ministerial heads of departments may appoint an Extended Ministerial Office (EMO).

The management and operation of the Civil Service is governed by the Constitutional Reform and Governance Act 2010. This places with the Prime Minister, as the Minister for the Civil Service, the power to manage the Civil Service. The Prime Minister delegates this power to Ministerial Heads of Department. The power is then in practice delegated to Permanent Secretaries by way of the Civil Service Management Code. In the case of an EMO, however, Ministers can decide to retain direct and full responsibility for appointments and management of staff in EMOs. They can of course delegate appointment and management of civil servants to the Principal Private Secretary (PPS) or another senior official if they choose.

When establishing an EMO, Ministers will, in consultation with their Permanent Secretary, agree the composition of the office, the mix of staff and skills and the budget. EMO proposals will require the approval of the Prime Minister as the Minister for the Civil Service, before any commitments to appoint staff are made. In a coalition government, the Prime Minister will make decisions on whether or not to approve EMO proposals with the Deputy Prime Minister.

An EMO could include civil servants fulfilling the traditional private office role, special advisers and external appointees. The office could include support for policy formation, implementation, media, correspondence, relations with Parliament and so on, as well as the traditional private office function. As part of the approval process to establish an EMO, the PM and DPM will require that a member of the EMO focuses on implementation reporting also to the Head of the Implementation Unit.

The success of the office will be dependent on all staff being fully integrated and working as one to deliver the Minister's priorities, as well as working closely with the rest of the department. Advice from officials in the Department must go to the Minister unaltered, although as now staff in the Minister's office will often comment on the advice.

EMOs are primarily designed to support Secretaries of State and other Ministerial Heads of Departments. However, to reflect coalition working EMO proposals should also include specific proposals for strengthening the offices of junior Ministers in departments headed by a Secretary of State of a different party. Where no EMO is planned, relevant Junior Ministers can put forward their own proposals which should be discussed with the relevant Secretary of State and the Permanent Secretary before consulting the Prime Minister and Deputy Prime Minister. Those appointed into extended offices for junior Ministers will be subject to the guidelines and processes set out below.

Civil service appointees

All civil service appointments (permanent or fixed term) must be made in consultation with the Permanent Secretary. Civil servants in the EMO will be directly appointed by and accountable to the appointing Minister. The Civil Service Code, including the political impartiality requirements and the Civil Service Commission's recruitment principles will apply to all civil service appointments. As now, no Civil Service member of a private office or an EMO can be politically active.

External appointments can be made to EMOs and must be in accordance with the Civil Service Commission's recruitment principle which deals with appointments to EMO. The Permanent Secretary must be involved in all such appointments. Before an appointment is made, the Accounting Officer must be satisfied that it meets the requirements of this exception. He or she must also, as part of the annual compliance statement to the Commission, confirm that the role and the individual are still needed and the individual continues to operate in line with the Civil Service Code requirements regarding impartiality and objectivity.

Where civil servants are brought in without fair and open competition under the Civil Service Commission's EMO exception, an appointment can be made for up to five years. Individuals appointed on Civil Service terms without fair and open competition at Director level and above will require the approval of the Civil Service Commission, as will those who have worked for the Minister or the Minister's political party within the past 5 years. Details of the requirements under this exception can be found on the Civil Service Commission's website.

When the appointing Minister leaves Government or moves to another appointment it will be for the incoming Minister to decide whether he or she wishes to have an EMO (which would require the Prime Minister's approval). Where it is decided to terminate the contract of a civil service appointee working in the EMO the individual will return to their main department. Individuals brought in for specific appointment to an EMO from outside the civil service without fair and open competition under the Civil Service Commission's EMO recruitment principle would normally be expected to leave the civil service if they are no longer required in the EMO.

The Minister may delegate to the PPS or another senior official the responsibility for recruiting and managing Civil Service staff within the EMO. Ministers must feed directly into the appraisals of the PPS and other EMO staff, and the Permanent Secretary will be expected to represent the Minister's views at moderation. The Permanent Secretary should discuss any feedback from moderation with the Minister before final decisions are taken.

Implementation Unit representation

As part of the approval process to establish an EMO, the PM and DPM will require that a member of the EMO focuses on implementation, reporting also to the CO Implementation Unit, in order to drive implementation of the Government's key policy priorities, and to provide the Centre with clear and timely information on implementation.

Implementation leads in the EMO may be Departmental staff, appointed with the approval of the appointing Minister and with the approval of the Implementation Unit DG. They will have a dual reporting line to the PPS (or other civil service head of the EMO); and to the Head of the Implementation Unit in the Cabinet Office. The Head of the Implementation Unit will also contribute to the performance management process for these members of staff.

Special Advisers

Special Adviser appointments will continue to be made in accordance with the Ministerial Code and the Special Advisers' Code of Conduct and Model Contract. As now, Special Advisers will not have line management responsibility for civil servants but they should be fully integrated into the functioning of the office, working closely with civil servants in the EMO to deliver the Minister's priorities.

Ministers may choose to appoint a senior Special Adviser as Chief of Staff and may also allocate other Special Advisers a title to clarify their roles. The Prime Minister's approval must be sought for all Special Adviser appointments, including the appointment of a Chief of Staff.

Where appointed, a Chief of Staff may have day to day responsibility for the Special Adviser team within a Department, setting the policy direction to implement the Minister's priorities.

Special Advisers will continue to report managerially to the Prime Minister's Chief of Staff or the Deputy Prime Minister's Chief of Staff.

As now, Special Adviser appointments end at the end of an Administration or when the appointing Minister leaves the Government or moves to another appointment.