

**Speech to the Institute for Government**  
**PACAC's inquiry into the Civil Service**  
**Capabilities for the Future:**  
**Preparing for ever more challenges**  
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**Constitutional Affairs Select Committee)**

**19<sup>th</sup> October 2016**

Thank you.

[These are my own thoughts, reflecting on the work and experience of PACAC, rather than views expressed on behalf of PACAC]

In a speech at Hawarden castle in 1999, today's Civil Service was described in the mellifluous prose which so easily flows from Professor Lord Hennessy of Nympsfield, as "the greatest single governing gift of the nineteenth to the twentieth century".<sup>1</sup> It is an organisation that still carries the mystique of a great historic institution, which is also part of the fabric of our still largely unwritten constitution. It has been revered as a paradigm of impartiality, integrity and excellence, copied as the exemplar for governments around the world, parodied affectionately by "YES MINISTER", painfully in "THE THICK OF IT", and is praised by ministers as "the finest in the world".

In the face of so many challenges and changes over the decades, it has shown remarkable adaptability and resilience. Again, I recall Peter Hennessy informally describing how there were three key people who helped to transform the Civil Service during the 20<sup>th</sup> Century: not Haldane, Fulton, or Sir Derek Rayner, but, "the Kaiser, Hitler and Mrs Thatcher". The point he was making was that significant change in the Civil Service occurred as much as a result of events, as from conscious efforts to reform. Perhaps leaving the EU will prove one such transformative challenge?

In fact, conscious efforts to reform the Civil Service have usually failed. Ironically, this is testament to the strength and resilience of the institution. The Fulton Report became the archetype of a Royal Commission that took minutes to announce and then years to conclude its work, with far less effect than intended. Many of its conclusions and recommendations bear reading today, but have been ignored. For example, its conclusion that the Civil Service was based on the cult of the generalist, with a lack of skilled management, is an all-too-familiar criticism of the Civil Service today.

And in the finest traditions of Whitehall, history has been repeated, and more than once. After Tony Blair had complained about the "scars on his back"<sup>2</sup> arising from his

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<sup>1</sup> Quoted in PASC, *Truth to Power: How Civil Service Reform Can Succeed*, 2013, p7, paragraph 7

attempt to reform public services, his government embarked on a programme of civil service reform. But one then cabinet minister subsequently told me that she had been completely unaware that there was anything called a civil service reform programme during her period of office, until long after she had left.

The 2010 government contained more than a handful of ministers who had served in government before 1997. They say, something happened to the Civil Service in the intervening years, complaining that it felt less responsive, more resistant, more bureaucratic, more hierarchical and risk averse. At first, Francis Maude thought there was no need for a civil service reform plan, but then he introduced the Civil Service Reform Plan in 2012. In one respect, just in time.

The West Coast Main Line debacle blew up in October 2012, the problems with the introduction of Universal Credit were coming to light, as were problems with major contracts and major projects. There were stunning successes too, such as the Olympic Delivery Authority (though the Army had to step in to rescue operations contracted out to G4S). In 2012, a report published by the NAO predicted that 42 per cent of major projects would be on time and on budget.<sup>2</sup> This included Crossrail, which completed 7,000 metres of tunnelling on time and £1 billion under budget.<sup>3</sup> And over this period, Whitehall was delivering substantial cuts in public spending across most departments, with step changes in efficiency, alongside some ambitious policies such as schools reform.

A moment of tribute to Francis Maude. He made great progress in areas such as IT and the digitisation of public services, and achieved some very substantial savings by centralising procurement and rationalising the Whitehall estate. However, our 2013 inquiry report, *Truth to Power: How Civil Service Reform Can Succeed*, identified three principal shortcomings in the conventional approach to Whitehall reform.

First, though many of the proposed changes were laudable, they did not amount to a comprehensive corporate change programme, because the approach was managerial, rather than strategic. Secondly, proposals intended to increase ministers' control over permanent secretary appointments and their private offices gave rise to the fear that the Civil Service is being subject to what Peter Hennessy called "creeping politicisation"<sup>4</sup> and seemed to go against the grain of the Northcote Trevelyan principles, setting many against the plan. Thirdly, the approach failed to address people, and leadership, and there was no coherent or comprehensive analysis of what the underlying problems arising from the culture of the civil service might be. These

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<sup>2</sup> Comptroller and Auditor General, *Major Projects Authority Annual Report 2012-13 and government project assurance*, 2014, p4

<sup>3</sup> Department for Transport, *Department for Transport Annual Report and Accounts 2012-13*, 2013, p8&17; Crossrail website – Home – Articles – Key Milestones for Crossrail Project [accessed via: <http://www.crossrail.co.uk/news/articles/key-milestones-for-crossrail-project-during-2016> (13.10.2016)]

<sup>4</sup> Hennessy P, 1999, *The British Civil Service*, p5

gave rise to the shortcomings identified in the reform plans including skills gaps, risk aversion and poor interdepartmental working.

In 2013, the *One Year On* plan also failed to address these issues and only touched on the issue of civil service culture. The latest plans for reform still largely retreat to the safety of emphasising outcomes, rather than analysing the processes and conversations that determine outcomes. PASC predicted those reforms as a whole would fail. The attempt to make change can, like a stone falling into a pond, make a great splash, but then leaves rather less lasting effect.

In the Committee's 2013 *Truth to Power* report, PASC made only one recommendation: that a Parliamentary Commission should be established to take a long-term look at the Civil Service, to examine its nature, role and purpose, and develop a strategic vision for its future. The Committee recommended that this inquiry should include consideration of the relationship between ministers and their officials. It is interesting that Fulton, the last detailed examination of the overall structure, function and future of the Civil Service, was explicitly barred from considering this topic, leaving it unable to tackle the question of accountability.

The PASC recommendation was widely supported and was subsequently endorsed by the Liaison Committee in its report *Civil Service: Lacking Capacity*, which stated that this Commission should be established "as a matter of urgency".<sup>5</sup> However, the recommendation was strenuously resisted by the government. I now accept that Fulton was a demonstration of how attempts to reform the Civil Service from outside are likely to fail.

Inside the Civil Service, so much depends upon relationships and yet, the more frustrated ministers became with their departments, the more they demanded powers of appointment or more direct control, the more taboo the subject of the actual relationships seemed to become. And this underlines that the Civil Service has to be seen in the context of the whole of government, including how permanent officials interact with ministers and their advisers. This is the problem of "dual leadership", further complicated by how Whitehall is scrutinised by Parliament.

And the context is changing with: increased scrutiny of government; higher expectations of the public; accelerating technological change; and the changing international context.

Since 1968, we have emerged from what some called the last of the "age of deference" into the "age of reference"; from a society which accepted what institutions chose to present to the outside world, to one in which people feel entitled to know what is going on inside. The internet, 24/7 media, FOI, and perhaps overly aggressive select committees, have turned ministers' private offices into a goldfish bowl. At the same

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<sup>5</sup> Liaison Committee, *Civil Service: Lacking Capacity*, 2013, p12, paragraph 7

time, what people feel entitled to expect from government has escalated massively.

Government, like business, must implement changing technology, where change appears to be accelerating exponentially.

And in the international sphere, government must not only respond to the demands of its own population, but also to the effects of globalisation, rising population and mass migration, the rise of new powers, and of vast international corporations, scarce natural resources, environmental degradation and increasingly diverse and unpredictable security threats.

So we have inherited Victorian or Edwardian institutions that must adapt to confront the massive complexity that is the new normal. This requires a different kind of mental agility and adaptability, and a capacity for strategic thinking that some even suggest requires Whitehall to consider itself to be psychologically and organisationally on a kind of war-footing, in order to be able to engage quickly enough with complexity in the nation and its global context.

And for change to be successful and self-sustaining, an organisation cannot be dependent upon hero leaders or dominant personalities. They can seem so alluring, but they never deliver successful, self-sustaining change. Real change depends upon collaboration at scale, within and between teams, rather than on individuals.

Achieving the commitment of the whole team towards change is most successful when the aims of this change are clearly aligned with the mission and values of the organisation. It is no coincidence that the most successful businesses are those like John Lewis and my old employer Ford Motor Company, whose values and commitment to their customers, stakeholders and society as a whole are powerful. It is fortunate that the Civil Service is fundamentally underpinned by the same kind of alignment of mission and values with operational aims. However, as I will outline below, there are concerns that changes to the operating model of Whitehall have resulted in a lack of clarity regarding what the role of the Civil Service is and should be.

The operating model of Whitehall has changed radically. Instead of a prime minister as *primus inter pares*, chairing a cabinet treated with deference and respect, the office of prime minister, has become increasingly presidential and the role of cabinet and key officials has tended to be side lined. The autonomy of Whitehall departments envisaged by Haldane has become increasingly subject to direction from No 10 and political appointees in the Cabinet Office, who rain down new policies and initiatives on government departments, without the context of operational experience. In departments, the role of the permanent secretary as the principle policy adviser has been eclipsed. And at the same time, Whitehall has seen the growth of outsourcing on a massive scale, of ALBs, and of government companies.

This has changed the very nature of what civil servants do and have put many functions beyond direct accountability to ministers or departmental officials.

Think about how learning feedback loops have become so extended. The ability of the system to learn from experience is far more challenging when those who are driving a new policy are in the Cabinet Office or the No 10 Policy Unit, and the people implementing the policy are not even directly employed by the responsible department. And today's politicians tend to overload the system with new initiatives, without regard to the limitations of capacity.

Despite all this, there has been no comprehensive re-consideration of the purpose, structure, function and future of the Civil Service, and efforts to reform the Civil Service have been only modest and piecemeal. This has resulted in a lack of clarity regarding the role of the Civil Service, and even the Civil Service's collective sense of what it is and what kind of identity it now has. This confusion has not been helped by the abolition of the National School for Government. Whatever its shortcomings may have been, there is now a gap where there should be a safe haven for thinkers and teachers to consider these questions. This underlines what an important role the Institute for Government now plays. But can the Civil Service contract out this function?

If the root causes of the problems facing the Civil Service are to be addressed, it is important that there is a detailed and systematic analysis of the purpose and role of the Civil Service, and of what structures and capabilities are needed to enable it to carry out its role effectively. But to prevent this becoming a re-run of Fulton, it must talk about what people in the Civil Service find the most difficult to talk about: how individuals tend to behave, and the attitudes they adopt. When we use the word "culture", this is what the word should really mean.

In any particular work place, yes, this gets uncomfortably personal. But we need to understand. What is it that wears down the idealism and enthusiasm of young civil service recruits over the years? What does the system inadvertently value and what does it tend to undervalue? What is it that makes officials wary of being too open and too risk averse?

Whenever I quote one piece of evidence in our report, *Truth to Power*, to a group of civil servants – or indeed to almost any other group – I always get knowing and slightly pained smiles. Professor Andrew Kakabadse, Professor of Governance and Leadership of Henley Business School, who is now a PACAC specialist adviser, explained that there are four salient features of a failing organisation.<sup>6</sup>

First, most people in a failing organisation know it is failing, but they do not know how to talk about it with their work colleagues.

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<sup>6</sup> PASC, *Truth to Power: How Civil Service Reform Can Succeed*, 2013, p24, paragraph 64

Secondly, many people attend meetings and agree to things in that meeting, but then leave the meeting and express something different.

Thirdly, it tends to be good people who leave a failing organisation, and the less good who remain and stay quiet.

Finally, in failing organisations, the leadership are the last to admit the seriousness of the challenges they face.<sup>6</sup> This is by no means characteristic of the Civil Service as a whole, but in pockets, where things have been going wrong, it is common enough.

The solution is to have leadership who give permission to speak. And this depends upon ministers being welcoming of the truth, as well as senior officials, who are likely to take their lead from ministers. Apparently, every time the Olympic Delivery Authority met, it was confronted by the prospect of massive cost overruns, personnel disasters, retarded delivery of contracts and a sense of looming disaster. Every meeting ended with Paul Deighton congratulating all those present on a fantastic meeting.

Since *Truth to Power* was published, even though the principal recommendation was rejected, we feel our sustained analysis and commentary in this and other reports has succeeded in promoting better conversations around Whitehall. People now talk more openly about the importance of learning from failure as well as from success.

The institutional reflex after the West Coast Mainline controversy was simply to “move on” in the jargon of disaster management, but a sustained effort by one senior official ensured that there was learning and change as a consequence.

The former lead Departmental non-executive director, and former head of BP, Lord Browne told the IfG that failure is the meat and drink of a successful business.<sup>7</sup> There is evidence that parts of Whitehall have changed to take on his lesson, but there is still a way to go. And the Civil Service also continues to lack an institutional structure and culture that enables leadership to best promote and sustain that change.

So PACAC is undertaking another inquiry into the Civil Service, to continue to promote conversation inside Whitehall, concentrating not just on the structure and organisation of the Civil Service and how appropriate it is for the twenty-first century, but also on its governance and the attitudes and behaviours that determine the effectiveness of the Civil Service : how well it learns from success and failure. This depends upon its collective capabilities as well as civil servants’ individual skills, particularly their leadership skills and how leaders talk about, and live, the mission, values and identity of the Civil Service.

How do we measure its success? Given that the most successful organisations lay great emphasis on successful employee engagement, it is surprising that Permanent Secretary

job descriptions hardly mention measures of engagement as a criterion for success. Of all the targets that can be set, this is one measure which cannot be gamed.

And I welcome the present review of performance management of individuals. So called “guided distribution”, which requires assessors to rank a set proportion of the staff as performing worse than relative to others is adversarial.

Some organisations manage performance by instruction and tasking, then measurement and assessment, followed by reward or punishment. Others encourage better performance by agreeing shared objectives with individuals, supporting and mentoring them through their tasks, and then reviewing and learning with them for the future. Ask yourself which kind of organisation would you rather work for?

And we will be looking at a summary of the results of confidential research (not the raw data) to be conducted into the prevailing attitudes and behaviours in the civil service. Which promote effectiveness? And which undermine it? What effect has the 2012 Civil Service reform plan had? Did its aims go far enough? How resistant is the Civil Service to change and why? Do civil servants learn the right lessons from success and from failure? Why do some departments or public bodies handle change better than others?

On the question of the sustainability, we will be asking how sustainable it is for the civil service to depend increasingly upon skills imported from outside the Civil Service, by employing contractors and consultants and by recruiting directly from other sectors? Our Skills inquiry highlighted the inherent weakness and costs of this dependency.

Successful contracting out is not just about signing a company up to the deal that looks like the best deal. Success also depends upon civil servants managing that contract through its life and their understanding of exactly what the contractor must do to deliver what the public increasingly demands. So you still need core skills in house.

Nor can government rely on direct recruitment of skills from outside. Non civil servants are not necessarily imbued with the spirit of public service that civil servants demonstrate and they tend to find the experience of government is alien to them. Therefore, unless they can adapt, they feel rejected. And once they leave, the experience they have gained is lost, the antithesis of best value.

For these reasons, the best functioning organisations do not recruit much from outside, but develop talent within. Consideration therefore needs to be given to how the Civil Service can develop more of its own people’s skills, capability and talent.

PASC’s Skills inquiry highlighted four types of learning for developing leaders: experiential learning, which is learning on the job and is what civil servants are most

used to; reflective learning, which means engaging in roles and then reflecting on what did and did not work, usually with some sort of mentor; conceptual learning, which is the more traditional classroom-based learning and experimental learning.<sup>8</sup> The latter type involves people engaging in 'active experimentation' in their jobs and then discussing the results with a group of peers. All these ideas go far beyond what is provided by Civil Service Learning, and underline the lacuna left by the abolition of the National School for Government. Will the Civil Service Leadership Academy fill this gap?

This bears on the most fundamental questions. What should the Civil Service be for? What should its primary functions be? Does the Civil Service have a coherent identity? How clear is its idea of itself and what ministers expect of it?

Who provides the necessary institutional leadership for the Civil Service to deliver Government policy whilst remaining impartial? How can the SCS be made into a more effective leadership group? And perhaps most important of all, who is responsible for governance of the Civil Service? Who defines the mission for the civil service? Who is the guardian of its aims and values? And who is responsible for ensuring that civil servants adopt the most effective attitudes and behaviours that will fulfil that mission according to those values?

To what extent should a new National School for Government fulfil this role? Yes, I support the new Leadership Academy, but it should be just one part of a new National School for Government. This cannot be outsourced to Harvard or MIT.

Why has it taken so long to get to this point? Well, I have been learning. Reform is not something you can do to an organisation from outside. The will to do this has to come from within. This is going to be really hard, but I am confident that there is an appetite for real change. The challenges our nation faces are increasing in number, in complexity and in pace, but we can have a civil service that better draws upon both the best of its traditions and on the strengths of today's people and society.

It is a civil service that depends less on command and control, more on cooperation and collaboration. Change is happening but it must happen faster. This depends on better understandings, both explicit and implicit, in people's working relationships. And this depends upon coherent leadership and the governance from the top.

Unless the leadership makes it a priority throughout the organisation that people should talk about, and live, the right attitudes and behaviour within the organisation, it will happen very slowly if, at all. And the leadership must be united making this goal their priority so they can enlist and enthuse the "resistors", or the resistors will exploit division and paralyse progress. Organisations whether commercial or not, that put other goals ahead of their mission and values, or ahead of the interests of their employees and stakeholders are on a slippery slope.

The most valuable quality therefore in any organisation is trust. Senior officials and ministers can have no confidence in what they are being told, unless there is trust. Officials cannot speak truth to power unless they can trust that their openness and sincerity will be valued, and that mistakes, and particularly their own honest mistakes, will lead to learning rather than punishment. Ministers and Permanent Secretaries must be able to trust in those upon whom they depend in order to run their departments.

The Civil Service is an institution whose mission and values are embedded in its very existence. Just imagine if the energy dissipated by needless politicking, silo working, hoarding of information, pointless competition (I am thinking of how destructive the adversarial tradition of the annual spending round has become) and resistance to change ...just imagine if all this energy could be harnessed to support the mission of the civil service: to achieve what the government as a whole wants to achieve for the nation.

Ultimately it's primarily about the people. In a real crisis, they have always risen to the challenge in the past. Today's world of permanent crisis is just the challenge our Civil Service should relish.

**ENDS**