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Thank you for inviting me back to the Institute for Government on the topic of transformation of the Civil Service.

I made one of my first speeches here as Chief Executive, a little over three years ago.

And it's fair to say, I think you'll agree, that quite a lot has happened since then.

We've had two changes of government, we've had the EU referendum - on the back of which we've created from scratch, and staffed, two new departments. One of which, the Department for Exiting the European Union, is coordinating the work of more than 300 Brexit-related work streams across government.

I should take this opportunity to thank Philip Rycroft and his team who run DExEU and who are doing a fantastic job and deserve our collective thanks for that work.

Back in 2015 I made the observation that Civil Servants were brilliant, talented people, doing too much. Not much has changed!

But I also made four specific observations:

First, that as a result of progressively outsourcing delivery the Civil Service had evolved to focus mainly on policy-making. Our policy strength will always be important, but we had lost much of our capability to implement and deliver policies and services.

Second, that while the fiscal envelope was continuing to shrink, the standard efficiency drive had run its course - to get to the next level of efficiency, while at the same time improving the effectiveness of service delivery, we needed a more fundamental transformation of how we worked as a Civil Service.

Third, that we needed to begin to break down the silos that existed, learn to work across boundaries, and take a more collaborative approach.

Lastly, I said that we needed to move our leadership approach on from a focus on pure intellect to one that embraced depth of experience: from elegant explanations to delivered solutions.

And I then set out four priorities to address these observations, aimed at setting us up to be fit for the 21st century:

1. Increase the numbers of people in Whitehall with delivery skills, and to offer clear career pathways so that they would feel valued, and could build their experience within the Civil Service

2. Develop functional leadership across government
3. Build our planning and performance management capability
4. Evolve the model of leadership in the Civil Service, developing a pipeline of credible, confident, and experienced leaders.

The second of those priorities, functional leadership, is integral to delivering all of the others.

And I want to return to it now to provide some context for the Institute's series on this and to reflect on our progress to date.

Because we haven't stood still.

We now have 9 core cross-government functions, each with a dedicated, experienced leader, and championed at Permanent Secretary level. These are complemented by dozens of professional networks that connect civil servants right across government, from the Operational Delivery Profession - our largest - with more than 240,000 civil servants, to the International Trade Profession - our newest - which launches today.

These advances are important. I believed then, as I do now, that deploying professional expertise across the system through a functional structure is the only way to tackle the transformation needed to meet the requirements of being both more efficient and more effective.

And since then - we have Brexit. It's been said before, but this is the biggest, most complex peacetime task the Civil Service has faced.

The challenge is not a distraction, or a substitute for other priorities, it is an opportunity; and one we must seize.

Because at the same time as the task of delivering Britain's EU exit strengthens the argument for strong functional leadership, it also provides an opportunity to accelerate the changes we're already making, to implement the complex tasks ahead.

To remind you – I believe the functions have 3 primary roles:

First, to set standards - because:

- without a consistent approach to working with the private sector – every contract is different
- without a consistent approach to cyber security - it's every department for themselves
- without consistency of pay structures – there's arbitrage across departmental boundaries
- without consistent data standards – there are no linkages between departments

- without consistent technology standards in buildings, it sometimes isn't even possible for visiting employees from one department to log-on in another departmental building

Second, functions have a leading role in building skills and capability; because:

- I've said many times we need to build professionalism and experience back into the Civil Service
- making shared services work needs people who have done it before
- building sophisticated and flexible relationships with the private sector needs experienced commercial people - to move us on from the transactional, price-based relationships that still exist across parts of our system
- we need to have people with technical and data skills as we increasingly engage with citizens in a digital world
- and we need proper project management skills to undertake the complex projects the Civil Service is now involved in

And, third, functions help to shape cross-government strategies, because:

- we needed to see the multiple connections a company like Carillion had across government, so that we were able to respond to that situation and protect public services in the way that we did - something that would simply not have been possible even two or three years ago
- we need to have mechanisms for building careers and developing our people to be the best they can be – and that needs cross-government coordination
- we need to have consistency in how we build new digital systems – because of the efficiencies and economies that come from having common platforms
- we need to bring multiple departments into the same buildings - not just for the sake of economy - but for better, smarter, more collaborative working
- and we need to have common ways of doing the transaction process, so that we can benefit from the huge economies of scale that government can bring to bear; to do otherwise would be such a waste of taxpayers' money

Seen through these lenses – the appeal of the functional model seems obvious.

But historically we haven't been set up like that. And to make it so is not a quick fix.

We have to build professional pathways to attract people to join the Civil Service and plan their careers to give them the experience they need over time; and that is now starting to happen.

We have to begin to value new skills in our leaders. Intellect alone is no longer enough – we need more – because otherwise the system won't be able to support the the implementation challenges we face today.

We need to learn new ways of working – because a cross-government matrix structure in itself is new – and it has to add value to what went before. And that takes time to learn – and skilled people to implement it.

And, of course, at the same time we must continue to deliver services that meet the standards and convenience citizens have come to expect as 21st century consumers.

So, transforming what we deliver means transforming how we deliver it.

And that delivery needs the skills and experience I have described.

Returning to the current challenges of Brexit, and the need to use this moment as an opportunity to accelerate - it demands that we both think through a complex set of problems and deliver the solutions on the ground within a fixed time period.

We can't do that unless we approach this challenge differently to the way we have done things in the past.

And the good news is, it's already happening - we are accelerating the changes we need and they are helping us to deliver what we need to deliver.

To take just a few examples where we are leveraging the functional structure in that task:

In commercial:

- many of the Brexit-related projects require multiple new contracts and procurements - we are already using commercial teams to help structure those for maximum effectiveness in the market
- we are setting up ways of accessing skills in the market that will deliver right cross government – not just department by department

In technology:

- many Brexit projects require new technology in one form or another, and those systems are being built to our new digital standards, in agile ways with new and different partners, allowing an iterative development process
- even three years ago that would not have happened - because we didn't have the digital skills or awareness in-house to do it

In project leadership:

- we have a group of experienced project leaders, many of whom have been trained through our Major Projects leadership programmes, and are now being deployed into the most complex Brexit projects

- These are the leaders who will help us get projects through the difficult gap between designing a policy and putting it into action - as Tony Meggs has called it recently, the 'Valley of Death'

This is all work in progress. But we have come a long way in a short time.

It's a fact that we don't have all the implementation skills that we need in-house – but we are building them quickly – and we have hired more than 5,000 people into 8 departments over the last 12 months in order to help.

And we are using the current imperatives to accelerate new joined-up ways of working. We have established the new Border Delivery Planning Group of officials across Whitehall to tackle the complex issues around making sure our borders continue to work effectively post-EU withdrawal.

I'm not going to get into the complexities of the negotiations here, but this new Group will create and oversee a joined-up implementation plan, drawing together the 30 or so departments and agencies that interact at our borders.

Responsibility for delivery, of course, remains with departments - but the cross-department group will define the plan – and hold the departments to account for delivering their piece of it.

That goes against the grain of traditional accountabilities in our Civil Service system.

Many more challenges - and not just in relation to Brexit - now transcend the boundaries between departments - from healthcare to justice to housing and benefits. We can learn from the borders experience and apply that elsewhere over time.

The matrix structure introduced by the functions helps us to address those cross-cutting issues - because it cuts across the vertical departmental silos and enables more transparency, lets information flow, allows us to target expertise and generally work more collaboratively.

I have used Brexit-related examples, but there are many others outside Brexit. And I'm not going to go into great detail here – because I've done that in other fora – but to take just a few examples.

We've launched the Government Property Agency. Over time, this will help us make more collective and collaborative use of our property portfolio.

We've already announced 13 government hubs across the country – mostly, predominantly HMRC, but with many of them including other departments. Just the other day I was at our new building in Canary Wharf, which will host 8 different public bodies. These hubs together will impact and benefit around 40,000 public servants - that is a very material change. And we have yet to announce another 8 to 10 hubs over the course of the next few years, and those will host even greater numbers of departments than the ones that we've already announced.

We have now stabilised and are seeing the benefits from the various centres of expertise that we have across the Civil Service – from the Shared Services centres which are taking shape across government; to the Debt Market Integrator joint venture, which has collected 17% more debt, that would otherwise have been lost to government; and our Crown Hosting JV - which again has proven hugely successful in efficiently hosting legacy systems, and has saved many hundreds of million of pounds.

The digital transformation of public services means we're delivering in ways that people expect and that are becoming more and more routine for government.

At Newcastle Crown Court last month, I saw first-hand how video hearings are revolutionising the way our courts system operates. In the first month of starting to resolve small claims online, there are litigants who have resolved their case out in just two hours. And prosecutors are getting to work digitally too, with online pleas for offences like fare evasion. This is groundbreaking modernisation - which takes an enormous management focus and huge attention to deliver.

HMRC is trailblazing the adoption of artificial intelligence and robotics for mass-repetitive tasks, and we've recently established a Centre of Excellence to accelerate the adoption of this technology across government. And we're mining the potential in data and prospecting in emerging areas like geospatial data to unlock value across the economy.

All these are in motion, and over the last 2 or 3 years have contributed material savings and efficiency to government.

I could go on - but the point is that significant change is already being delivered, and our task is to accelerate that change, not only using the imperative of Brexit but our impatience to change and modernise our Civil Service to meet the challenges of today.

So the question is, "what next?", and what must we do to sustain and accelerate this progress?

I will highlight three areas:

- How we're codifying the skills we recruit and reward, and hence embedding new career paths across the organisation
- How we need to think about funding the functions and the centre going forward
- And how we might adjust our governance to accommodate the changes I have described

To take the first of these - we want to continue to attract and develop people with professional skills within the Civil Service.

The interesting thing about setting up a functional structure is that we are now organised more like the outside world. Many of our recent external hires have entered the Civil Service via the functions - because they can now see how and

where they can add value, and the organisation looks more familiar to them than perhaps it has in the past.

But it's no use bringing these people in with functional skills, and then assuming we can judge them against criteria that aren't matched to their personal career experience. If we did that, over time they'd just leave.

And that's why we are now launching Success Profiles - an expansion of our competency-based approach to recruitment and promotion, broadening it to include more robust and wide-ranging selection criteria.

This change, in my view, is really, really important – because it bears on what qualities and skills we value and promote.

It relates to building experience – so that we are no longer creating generalists by default, but people with broad and deep experience in delivery and implementation.

The new Success Profiles will be used for recruitment and promotion, and over time will allow us to evaluate candidates on what they have done before, what their actual experience, behaviours and values are – rather than on how they answer a competency questionnaire.

This means we can encourage people to build a career path, and be promoted within that career path, to build deeper experience and depth in their profession - and that is a significant change.

It will require quite a change in our leaders, too – involving them much more in interviewing and performance managing their people.

It may also be time to think about how we fund the centre of government. This is something I would like to see as part of the 2019 Spending Round.

There is always a tension of course - because in the end the functions only exist to help the delivery teams in departments deliver their outputs. There is, therefore, a strong argument to insist on the rigour and discipline of demand-driven mechanisms to fund the functions. It ensures that the functions don't do things which don't add value.

But it can also be inefficient and slow. Our new IT system for sensitive information took far longer than it should have because funds had to be negotiated with each separate department.

To leverage some of the centres of expertise I have talked about, sometimes needs central funding to build consistency across government.

The same imperative applies to building a new recruitment platform that everybody can use.

Accelerating the roll-out of our commercial capability also needs to be addressed centrally, so that we can do it quickly. Our Assessment and Development Centre has been piloted with the big departments. It has assessed more than 1,100 people against professional commercial standards. Now, we're extending it to Arms Length delivery bodies.

So, I am hopeful we can make a sensible case for funding the centre in a different way, while still retaining good discipline to ensure that the functions only do what adds value.

And finally, while we have built a function structure into government over the last few years, we have not reviewed the overall governance within the Civil Service to reflect that. This is internal plumbing - not, frankly, the stuff of headlines - but nonetheless important in how we function as an organisation.

There is no single right way. Our structures are inherently complex, and I don't pretend to have answers today. But it's something we must start to consider over the next period.

So, there's more to do.

We have taken up the enormous challenge of Brexit. And while we tackle it - indeed, as part of tackling it - we are building our future capability and accelerating towards that goal.

Ultimately, this is all about people. The citizens we work for as civil servants; and the civil servants themselves. They are already doing extraordinary things to deliver the government's priorities.

They are also in the middle of huge changes and improvements that everyone in government has to embrace. As senior leaders it is up to us to create the structures within which they can be most effective; give them the modern tools and workplaces to do the best job they can, providing the best public services; and the training and experience to realise their potential.

That is the task before us. And we are on the way. Success means we will remain one of the most admired public institutions in the world.

Ladies and gentlemen, thank you very much.