

# **The Seventh Report of the Public Administration Select Committee, March 2001**

## **MAKING GOVERNMENT WORK: THE EMERGING ISSUES**

### **Introduction**

1. The Committee has been conducting a broad-ranging inquiry into the machinery of government and the organisation of public services. A concern to ensure that public services are delivered in an efficient manner using modern forms of organisation and technologies have gained pace in recent years, under governments of different parties. These developments have taken various forms, but their common themes have been to make government and public services work more effectively and cost-efficiently for the citizens who pay for them, and to improve the quality of public services over time in line with progress elsewhere in society, notably in private sector standards of service.

2. It is right that these objectives should be relentlessly pursued and we welcome the Government's vigorous commitment to them shown in the 1999 'Modernising Government' White Paper and its associated change programme for the public services. A major civil service reform effort has also recently begun. These programmes were presented as a continuous process, rather than offering the prospects of immediate results. On its publication Jack Cunningham, then Minister for the Cabinet Office, characterised 'Modernising Government' as: 'A vision for transforming the way government works for people—a long term programme for achieving that transformation.'<sup>[13]</sup> The White Paper included a message from the Prime Minister stating that: 'It is central to our priorities because better government means better service to the public.'<sup>[14]</sup> The Government set three main aims for the programme:

- ensuring that policy-making is more joined-up and strategic;
- making sure that public service users, not providers, are the focus, by matching services more closely to people's lives; and
- delivering public services that are high quality and efficient.

Alongside these aims were five key commitments:

- to be forward looking in developing policies to deliver outcomes that matter, not simply reacting to short-term pressures;

- to deliver public services to meet the needs of citizens, not the convenience of service providers;
- to deliver efficient, high quality public services and not tolerate mediocrity;
- to use new technology to meet the needs of citizens and business, and not trail behind technological developments; and
- to value public service, not denigrate it.

These broad themes were linked to an action plan, and in September 2000 the Cabinet Office published an annual report on the progress of the 'Modernising Government' programme. Some of these themes had been articulated earlier in the mid 1990s, for example, in the development of efforts to deliver services electronically and to promote good standards of public service delivery through the Citizen's Charter initiative.

3. In the course of our inquiry we have heard evidence from a wide range of witnesses, including senior politicians, top civil servants, academics, journalists and other commentators, most of whom also submitted written evidence. We were pleased to note that official witnesses responded positively to the evidence as our inquiry progressed. Our focus was on the experience of government service delivery and policy-making in the UK since the mid 1990s, the lessons to be learned and the identification of major problems, and the progress and prospects of current initiatives. The expertise and experience of our witnesses have been invaluable to us; we would also like to express our gratitude to Professor Patrick Dunleavy for his work as our special adviser on this inquiry. The Committee also visited the North East to look at public service changes from the local delivery level.<sup>[15]</sup> In the course of our work we have already published two reports on particular strands of our inquiry, 'The Ministerial Code: Improving the Rule Book'<sup>[16]</sup> and 'Special Advisers: Boon or Bane?'<sup>[17]</sup> In addition, our recent report 'Mapping the Quango State'<sup>[18]</sup> explores an important part of the background, concerning the public bodies which play a key role in service delivery.

4. The particular reference points for this report are the current administration's 'Modernising Government' process of change in the operation of policy-making and the delivery of public services, together with some closely associated civil service reform initiatives. Our aim here is to make some preliminary observations on important aspects of these programmes, and to highlight some emerging issues about implementation. We hope that we, or our successors, will be able to give more detailed consideration to some of these matters in the near future. In this sense it is very much work in progress.

5. Our key theme is the importance of achieving and maintaining combined progress on two key issues: improving the performance of public services at the same time as maintaining or increasing their public accountability. Both goals are crucial for maintaining public confidence in what government does, yet they are too often treated separately. Instead we believe that they are indissolubly connected. Public services need to deliver performance of a high quality; but they also need to be properly accountable for their performance. Indeed, accountability should be a spur to performance, and we believe that it should be recognised as one of the key principles of the 'Modernising Government' programme. We say more on this theme below.

### *Joining-up government*

6. Perhaps the most ambitious of the new goals and approaches stressed in the 'Modernising Government' agenda is the need to challenge departmentalism and the fragmenting consequences of the extensive 'agencification' of central government carried out under the 'Next Steps' change programme from 1988 to 1996. Instead, the new emphasis is upon 'holistic governance' (in the original academic phrase) or on 'joined-up government' (in the more plain-speaking civil service usage for which both Sir Michael Bichard and Sir Robin Mountfield have claimed authorship, although the phrase has a much longer pedigree). The essential idea here is not just the perennial effort in Whitehall to get to grips with all those issues which cross-departmental boundary lines. It is also to seek to re-engineer governance processes so as genuinely to reunify or reorientate them to meet the needs of the client groups being served. Ideally, joining-up should make the governance process as simple and transparent as possible instead of citizens or organisations having to deal on connected issues with a maze of different agencies. It also means establishing unified cross-departmental programmes, with integrated spending budgets. We very much welcome the initiatives that have been taken so far in this area, but would like to see them taken further. This means more projects than those already identified in the Spending Review, with money ring-fenced for bids for joint working, and clear ministerial and civil service responsibility for making them work. This last point is especially important. A culture in which Ministers and civil servants traditionally defend the narrow interests of their departments or agencies has to be changed to one in which they are judged and rewarded to the extent that they advance the key strategic objectives of the Government as a whole.

7. The focus of joining-up government has largely been on the centre, concentrating on how Whitehall departments can be persuaded or cajoled to abandon their 'silo' mentality and to work

together to produce better and more co-ordinated policy-making and delivery. We heard evidence about the difficulties in co-ordinating service delivery due to the vertical organisation of departments (a function both of traditional measures of public accountability and of bureaucratic hierarchy). Many of the most intractable problems of modern government have a horizontal or inter-connected nature—for example, social exclusion encompasses a range of issues and multiple departmental responsibilities. One kind of effort to achieve greater co-ordination has seen the introduction of cross-cutting units, like the Social Exclusion Unit (SEU) and the Performance and Innovation Unit (PIU) within the Cabinet Office, which have sought to alter the way in which government operates by forming strategic cross-departmental alliances at the centre. Another much more important strand in terms of spending money has stressed integrated programmes, often arising from the work of a taskforce, such as the New Deal initiative, with budget headings spanning several departments, or the Sure Start Programme. Like much of the 'Modernising Government' programme, the success of these initiatives will only be properly assessed over the long term, and will be measured not only in terms of improved service delivery but also in how effective they are in eroding an administrative culture of departmental baronies. Professor Pollitt advanced the merits of a positive incrementalism, which involves finding out what works and then building on it. This requires a continuous process of research and evaluation.

8. Another way to create more joined-up government is to reorganise departments on cross-cutting or client-group lines. A traditional set of options in public administration emphasised structuring agencies around clients, rather than around staff skills, administrative processes or geographical areas. There may be some advantages in this approach, and various examples are currently canvassed - such as integrating all social assistance programmes for working age people (currently in the Department of Social Security, DSS) along with employment and labour market services (currently in the Department for Education and Employment, DfEE). But we are not persuaded that any reorganisation of government departments by itself can offer a real answer to the problem. However, this needs to be properly discussed. In October 1970, the then Prime Minister, Edward Heath, issued a White Paper, 'The Reorganisation of Central Government'[19], which set out ambitious plans to alter the machinery of government. If major changes to the machinery are to be undertaken now, we believe that a similar consultation exercise is required. There is a particular issue about whether the development of executive agencies (introduced under previous administrations to improve accountability and separate the service delivery from the policy function of government) creates

difficulties for joined-up delivery. We welcome the recent announcement of a review of executive agencies and hope it will give special attention to this matter.

9. Increasingly, departments and agencies, and individual civil servants within them, are expected to meet measurable targets. If government is to be effectively joined up, it is essential that this ambition is reflected in the targets being set, both for organisations and for key managers. Nor is it enough for individual agencies to achieve their own organisational targets unless these contribute to collective governmental goals. It is also essential that goals are measured in terms of outcomes rather than outputs. We agree with Moira Wallace, Head of the SEU, that it is the focus on outcomes that pulls together an organisation's activity and provides the key discipline for joined-up working.[20]

#### *Central-local relations and valuing the public services*

10. Government in Britain is distinguished by a culture of administrative centralism, which—along with departmentalism—presents a key challenge to any sustained attempt to make the machinery of government work better. Programmes driven top-down from the centre often seem to offer the opportunity for speedy delivery, and hence fit with the imperatives for individual Ministers to be seen to make a difference to policy-making in relatively short time periods. But this approach can be at the expense of building up the local strategic capacity that will be required for durable results, and where new top-down programmes are initiated in rapid succession, and without much genuine evaluation of what is working and what is not, the results can be actively inimical to the sustained development of good public service delivery on the ground. It is essential that there is local ownership of programmes, including shared ownership of the performance measures that are used to evaluate them. There is also the danger that a top-down and centrally-driven approach will worsen the already considerable problems of co-ordination at local and regional level, a possibility clearly identified in the PIU report 'Reaching Out'. We welcome the establishment of the Regional Co-ordination Unit in the Cabinet Office in response to this report and we will be monitoring the extent to which it succeeds in resolving some of these difficulties, and we will be monitoring the extent to which it succeeds. The regional Government Offices have a crucial role to play here also. However, their role will only become more effective when they represent the whole range of Government departments, instead of less than a handful as at present. It is essential that joining-up at the centre is matched by equivalent

joining-up as initiatives progress through the system.

11. The issue of maintaining and enhancing a local strategic capacity for the whole governmental machine to act effectively is the crucial one. On our visit to north east England many of those we talked to told of the pressure put on local resources both by the constant need to bid and rebid for central funds and the requirement to comply with a plethora of inspection regimes and externally-imposed targets. We heard complaints about the lack of trust this implies. The problems of excessive centralism have to be broken, both for democratic and delivery reasons. They have started to be broken in Scotland, Wales and London, and this process now needs to be extended in England. The twin imperatives of performance and accountability seem to us to point inexorably towards a system of elected regional government combined with unitary local authorities. We hope that the Government will give serious consideration to how it can speedily move this process forward. There is also the issue of complexity: in a world of partnerships, zones and area-based initiatives, there can be a real problem for accountability if citizens do not know who is responsible for the programmes that impact upon them. We believe that this is an issue that requires more consideration than it has so far received.

12. One of the key principles of the 'Modernising Government' programme is to 'value public service, not denigrate it'[21]. This switch of direction (now accepted by all major parties) came against a background where in the 1990s it was widely believed that the emphasis of government was on cutting the cost of public services, privatising them, and criticising the performance of public sector workers. We welcome the Government's clear endorsement of the public service ideal. A shared ethical commitment to this ideal across the public sector continues to provide some of the best underpinnings and guarantees for maintaining and developing good performance and standards. However, it is not enough to value public service ideals in an abstract way. They need to be actively encouraged and positively cultivated. We believe that there is much more that can and should be done on this front. For example, we think that it might be helpful for all public servants to be given a copy of a Public Service Code, incorporating the 'seven principles of public life' developed by the Committee on Standards in Public Life.[22] We also think it would be useful for all new staff of agencies or departments, designated as 'public service' organisations, to receive appropriate induction and training in what the ethos of public service entails and implies. In his evidence to us David Walker argued the merits of a single, unified public service for Britain[23]. While we remain unpersuaded by this idea, we do accept that benefits could flow from a determined effort to disseminate a unified public service ethos throughout the public

sector.

13. This issue connects with the importance of professionalism and the special role of the professions in the public services. We often assign a great deal of discretion to professional staff in public service contexts, and both government and the public at large must often rely on the socialisation of professional values to safeguard client interests. With the general public service ideal, a proper professionalism is the fundamental ingredient in delivering high standards of performance. However, an improper professionalism that defends its own interests and resists public scrutiny can be very dangerous in areas like the health service or social work, as a series of recent scandals (such as the Shipman murders, concerns over hospitals with high failure rates, the illegal storage of body parts, and recurring problems over children left unprotected by social services) all emphasise. We believe that the relationship between professionalism and accountability has now become a key issue for the whole of the public sector, and deserves urgent attention. We need a new version of professionalism that respects the need for proper public accountability, and places it unambiguously at the centre of professional values. At the same time, we also need to develop a version of public accountability that respects the need for inescapable professional discretion in allowing individual case-by-case decision-making in way that is not being constantly 'second guessed' or subject to bureaucratised processes. One way to secure this goal would be to get more coherence and consistency than currently exists into the assorted schemes of professional regulation. This might be achieved by the establishment of a Council of the Professions, although the precise organisational form is less important than the recognition of the need. If our suggestion above of a Public Service Code is pursued, then the professional regulation of key public service occupations—such as doctors, nurses, social workers, teachers and others—should aim to see the code fully incorporated into professional values and education.

#### *The advent of e-Government*

14. The new technologies surrounding the internet and the world-wide Web offer remarkable, perhaps unprecedented, opportunities for simultaneously advancing the quality of public services, cutting costs and increasing public accountability. Intelligently and rapidly applied they can play an integral role in the project of making government work better. 'Modernising Government' rightly assigns a high salience to information-age government, using new technology to meet the needs of citizens and business more effectively, and identifying it as one of five key commitments in the White Paper. This will be one of the most important cross-cutting

'drivers' for change in the Civil Service and the wider public sector for at least a decade ahead, and the Government has put in place powerful machinery for its delivery. While the 1999 National Audit Office (NAO) report on 'Governing on the Web'[24] found a weak set of government targets and a very confused and patchy pattern of progress on meeting them across departments and agencies, the Government has since established the Office of the e-Envoy (OeE) in the Cabinet Office. During 2000 OeE tasked all departments to produce e-governance strategy documents setting out how they will attain the main government target of 100 per cent capacity for delivery of services electronically by 2005. The Treasury has also incorporated reference to this target in the latest round of Public Service Agreements (PSAs) negotiated with departments. There is no doubt that electronic technology is a key tool in achieving joined-up and citizen-focused government. Fundamental administrative innovations, such as establishing one-stop-shops to offer a range of services from agencies or departments to the same client groups, either over the phone, or via the Web, or in a front-office service, cannot work without the necessary investment in IT. If citizens and enterprises can conduct direct electronic dealings with government, this will open up the prospect both of easier access for the user and considerable savings to the public purse. The NAO study 'Governing on the Web' showed, for instance, that handling a phone call in a call centre costs the government at least £2.50, whereas the marginal cost of an extra citizen or enterprise accessing a government Web site is close to zero once the site is established.[25] With the DSS alone handling some 300 million phone calls a year, getting citizens to use on-line access is clearly an attractive proposition, and the PSAs of the major departments dealing with the public all now include targets for increasing the use of electronic services by citizens and enterprises.

15. Like much of the modernising agenda, e-government remains work in progress. Because agencies are used to paper-based and relatively labour-intensive systems, and officials in effect derive their livelihood from them, they may not see much advantage to them in pushing ahead with rapid changes that will erode their established methods of working. Overcoming this latent 'channel rivalry' problem demands relentless attention and firm leadership from the centre of government. It also needs e-champions in every part of government and every public body. The need for sustained investment, excellent project analysis, and strong change management is clear in many policy areas. In our recent inquiry into the maladministration of the State Earnings Related Pension Scheme we learned that the IT systems in the DSS had suffered from a marked lack of investment over many years. In our report we welcomed the DSS's intention to improve its IT systems and the fact that a target to achieve this was included in its most recent



PSA[26]. Across government we have seen examples of failed IT schemes (for instance the Home Office passport system) which suggests that it still has much to learn, although we note that such failures are not confined to the public sector, which suggests that there is a wider problem of project management skills. We heard evidence from Ann Steward, of the OeE, that the targets set for e-government will be met. She told us that 40 per cent of government services are currently able to be delivered electronically, which represents very good progress towards meeting the target of 100 per cent by 2005.[27] It is vitally important that this progress is maintained, but quite difficult to be sure how much progress there really is. We note that the Trade and Industry Select Committee reported in March 2001 that 'there is still a slight whiff of unreality in the electronic government agenda'[28], and said that they suspected that too many services were being put on-line quickly for the sake of meeting the electronic capability target, without paying enough regard to ensuring good quality facilities or actively increasing take-up by customers. The NAO will report in detail on progress towards e-governance and Web/internet access for government in a follow-up report forthcoming in December 2001.

16. We believe that actively developing the electronic usage of government Web sites and internet facilities will require concentrated attention by the centre, and by departments and agencies. It will also require progress on other fronts, such as the UK Government Portal designed to provide easy entry to government information and services, and the development of the Government Gateway to facilitate easy electronic access across government. People will increasingly demand transparent forms of electronic access to government and public services, both as users and citizens, and will not tolerate a failure to provide it. Nor is access the same as usage, although it is a pre-condition. If many of the users of public services do not have access, both in skills and equipment, to the new technology, its purpose will not be realised. OeE told us that 32 per cent of the population currently has access to the internet (either at home or at work)[29], so that issues around e-exclusion are still major ones for public service implementation. But, if a self-sustaining e-governance track can be established, then savings made should be able to fund extended 'outreach' work to ensure that all sections of society share in the progress. For instance, if the DSS can reduce its routine phone bills and cut down on highly expensive paperwork and front-office visits, then it becomes feasible to consider, say, field workers equipped with 'one-stop shop' PCs visiting old age pensioners at home to ensure that their full entitlements to benefits are assessed and taken up.

17. A further barrier to progress towards e-governance is the

difficulty of data sharing. If joined-up government is to be effective, official data needs to be shared across departments (as with the Knowledge Network), agencies, localities and other public bodies. The barriers to success in this area are political, administrative and technological. The forthcoming PIU report on 'Privacy and Data Sharing' may help to begin dismantling some of them and securing public acceptance for change. Ensuring that an appropriate framework for public accountability in the use and interchange of citizen and business information across government is in place will play a vital part in the pace of change. The Human Rights Act, the Freedom of Information Act, the shift in government to electronic storage of all information, and the easy availability of government information over the Web, offer important opportunities for government to convince citizens that a 'big brother' approach is ruled out, and that data on them will only be used under strictly controlled conditions, without unauthorised leakage outside government or within. If government does not provide citizens at large with such assurances, then the future progress of e-governance could be held back unnecessarily.

### *The Civil Service and policy-making*

18. The UK Civil Service has a unique status in British public life. It has been highly valued by Ministers of all parties, and its members have traditionally expected to pursue life-time careers in Whitehall departments or their agencies. One vital consequence of this approach has been the requirement that the Civil Service must serve impartially governments of all political persuasions. Another distinctive feature has been the extent to which permanent senior officials (rather than political appointees brought in afresh with each new administration) have been involved in tendering policy advice to Ministers on the full range of government issues. To meet these very demanding requirements, the Civil Service has traditionally prided itself on recruiting some of the best minds of each generation. We are in no doubt that the service represents a resource of immense value to government and that the values and skills it embodies are crucial ones (not least the value of 'speaking truth unto power'). Yet, it has also attracted more criticism from Ministers over the last twenty years and has seemed old-fashioned in aspects of its training, culture and approach to policy-making. The Civil Service cannot be frozen in a mould appropriate to one particular era, but must instead constantly change and reform if it is to meet the changing demands of government. An elegance in relation to process needs to be matched by a robust commitment to attaining effective outcomes.

19. Meeting these complex and demanding requirements may now demand new skills, and new people, with the central Civil Service

moving from being line administrators to being experts in fields such as change management, extended strategic contracting, the development of multi-channel procurement and delivery systems, and so on. Accordingly, the Government has proposed extensive modernisation of the Civil Service. In 1999 the Prime Minister asked Sir Richard Wilson (the Cabinet Secretary and Head of the Home Civil Service) to produce proposals for reform in light of the Government's modernising agenda. Sir Richard's report to the Prime Minister ('Civil Service Reform') was published in December 1999. It committed the Civil Service to action on the basis of six key themes:

- stronger leadership with a clear sense of purpose;
- better business planning from top to bottom;
- sharper performance management;
- a dramatic improvement in diversity;
- a service more open to people and ideas, which brings on talent; and
- a better deal for staff.

Four supplementary detailed plans (covering 'A Diverse Civil Service', 'Performance Management', 'Vision and Values', and 'Bringing in and Bringing on Talent') were also produced. In December 2000 Sir Richard published an annual report on progress.

20. Among the key problems identified by critics of the Civil Service have been the perceived slowness of its reaction, poor performance in providing policy advice, an inattention to policy delivery, inadequate understanding of risk management issues, and bad project management. Geoff Mulgan, Director of the PIU and a former adviser to the Prime Minister, admitted in his evidence to us that the Government were frustrated by the speed of change in Whitehall—as he imagined were the Conservative administrations of the 1980s and 1990s.<sup>[30]</sup> A basic question is whether the Civil Service is the most appropriate body to reform itself. Critics argue that many attempts to reform the service, from the Fulton reforms of the late 1960s onwards, have still left it needing fundamental change. There is a feeling in some quarters that the Civil Service has once again absorbed attempts at reform. A possible conclusion may be that the service is incapable of effectively changing itself and that reform must be imposed from outside. This was the view of the former Cabinet Minister, Dr David Clark. He told us that he had 'studied the reforms Sir Richard [Wilson] put forward. But I think he almost gave the game away when he said his reforms were reforms for the Civil Service, by the Civil Service, led by the Civil Service'. <sup>[31]</sup> In a speech in May 1999, Sir Richard said the Civil Service 'has to face the challenge of continuing change and

modernisation. The important thing is to ensure that the process is constructive and does not damage our core values'.[32] We very much agree with this concern to preserve what is effective and important in how the Civil Service operates. But we suggest that, thirty years or more after Fulton, the time is ripe for a new Royal Commission to take comprehensive stock of the Civil Service and map out a more comprehensive strategy for change.

21. Wider questions about the contemporary role of the service, and the skills needed to perform it effectively, have not really been addressed inside Whitehall so far. Kate Jenkins (one of the key architects of the Next Steps reforms in 1987-8) said in her evidence to us: 'There are a lot of assumptions that have built up around it [the Civil Service] exemplified by the fact that in my 20 years in the Civil Service I do not think anybody could ever tell me what my professional and constitutional role was—even though everybody assumed that I knew it and had acquired it by osmosis on entering the Civil Service'.[33] Recent changes had made the position even less clear: 'I would argue that what we need now is greater clarity than would have been fashionable 15 or 20 years ago about what the profession is. My sense, talking to a lot of civil servants, is that they have rather lost the sense of what their professionalism is, what the specific skills are that they bring to the job.'[34] The need for skills definition, going beyond the old and hackneyed arguments about specialists and generalists, is urgent.

22. In contrast to the position in most comparable countries, the position of the Civil Service in the UK is not governed by a Civil Service Act. We believe that in the new constitutional climate shaped by devolution, the Human Rights Act, and the Freedom of Information Act, the time is now overdue for a Civil Service Act designed to put the service on a clearer and firmer constitutional footing, and defining to whom it is responsible. Civil servants may now have over-riding statutory obligations which considerably circumscribe the traditional dicta that they are there simply to serve Ministers, yet these considerations cannot be effectively expressed only in internal codes of conduct. A Civil Service Act has long been promised (most recently in the Government's response to the recommendation of the Committee on Standards in Public Life last year).[35] It would offer an opportunity to address many of the questions to which we have drawn attention above. We have previously recommended that the Government introduce such an Act at the earliest opportunity and would ourselves welcome an opportunity to comment on a draft.

23. The delivery of policy advice has traditionally been a core function of the senior Civil Service. A combination of recent developments has increasingly brought that into question.

Governments have increasingly expected civil servants to engage more effectively in management—of projects, of change and of the delivery of services. A succession of policy disasters (for which the Civil Service is rightly or wrongly blamed) may have affected the esteem in which the policy function is held. A variety of sources of alternative policy advice (including special advisers to Ministers and outside think-tanks) has developed. The Civil Service no longer holds a monopoly of policy advice or of the skills and information needed to develop advice. Many observers argue that the thinning of the ranks of the senior Civil Service has reduced its capacity to tender policy advice effectively or authoritatively. It was suggested to us by Sir Peter Kemp that the time had come to split the dual function of a Permanent Secretary into two posts, a Chief Executive and a Chief Policy Adviser.[36] We do not believe that this would bring more advantages than disadvantages, when joining-up government remains such an important objective. But the proposal does clearly identify the problems of combining the roles of policy adviser with programme manager at the very top of departments (and perhaps some major agencies also).

24. The Civil Service's policy-making expertise has also been called into question by the fact that it has traditionally been composed in the main of generalists—that is, people equipped with a good undergraduate education but not further trained in any specific professional skill and frequently moving between departments and positions, deploying generic 'administrative' skills rather than further developing any particular specialisation. The maintenance of the 'generalist' model has also been a familiar object of criticism, though it continues to be defended by some as allowing flexibility. Sir Robin Mountfield remarked to us that generalism was in itself a form of professionalism, and one particularly useful in terms of joined-up government. By contrast Professor Dunleavy drew particular attention to the low proportion (by international comparative standards) of civil servants holding advanced qualifications. He suggested that a lack of advanced education could mean over time top civil servants have fewer resources of expertise or developed analytic capacities to draw on, making them over-reliant on acquiring information from files and assessing it in customary, organisationally-shaped ways. This way of approaching hard decisions might have contributed to a string of policy failures over the last twenty years.[37] We believe that at least as much blame may attach to Ministers as to civil servants for policy disasters and failures. But it is true that much training in the Civil Service (at the top ranks) has traditionally been short-term, informal and internal, un-checked and unvalidated by external bodies.

25. The Civil Service is now taking steps to improve its formal in-

service training and to improve its performance skills. The Civil Service College has been brought under the new Centre for Management and Policy Studies (CMPS) in the Cabinet Office. CMPS offers a variety of courses to civil servants and to Ministers (often together, an important innovation), and also to people from outside. Particular attention is being given to risk management and evidence-based policy skills. The Civil Service has taken seriously criticisms of its policy-making performance. Professor Amman told us that the CMPS was developing 'new approaches to policy-making, based on the latest developments in knowledge management, and that is one of the most original things that we are doing to try to make policy more joined-up and evidence-based through the use of information technology'.<sup>[38]</sup> In September 1999 the Cabinet Office Strategic Policy Making Team produced a document entitled 'Professional Policy-making for the Twenty-first Century'. These are important developments, which we welcome. But we believe that progress on such internal career training needs to be assessed objectively, and that internal training needs to be combined with opportunities for civil servants to acquire advanced qualifications through external study.

26. Risk management is another area where the Civil Service is often accused of lacking key skills and expertise. A Civil Service capable of handling the hugely important 'risk issues' confronting government in the twenty-first century will have to be both better educated and much better trained than in the past, especially in regulatory areas. In managing public services, the Government wishes the civil servants of the future to be better risk managers (an issue discussed in the PIU report 'Wiring it Up'). It is not that they are expected to recommend policies which are more likely to fail (although there may be instances where they may represent to Ministers that the more risky policy, if successful, will deliver greater benefits), but that, in the Civil Service context, it is about being aware of what may go wrong (and how likely this is) and how contingency plans may be made to ward off disaster. This is an important area, with implications for traditional public sector audit and accountability, to which we hope that we or our successors will return.

27. In the future Civil Service it is also likely that individual civil servants will be more publicly visible and identifiable with particular policies, a step which is already implicit in the executive agency model. We took evidence from Louise Casey, who takes responsibility for the Rough Sleepers Unit, and is an example of a highly visible civil servant. This new profile for civil servants has implications not only for accountability (is the Minister or the civil servant accountable?) but also for the role of junior Ministers (if a named civil servant is identified with a particular policy, what is the

Minister for?). In principle it is right that accountability for policies and programmes should be more clearly identified, both politically and administratively, but the implications for government and Parliament need to be fully explored.

### *Diversity of recruitment and experience in the Civil Service*

28. The 'Modernising Government' White Paper set a number of targets for increasing the diversity of the Civil Service. The achievement of these targets is not only valuable in itself, in terms of general equal opportunity policy, but is also important in ensuring that the senior Civil Service is representative of, and contains people with knowledge about, all sections of the society which it serves, and the consequences of policies for citizens. The diversity targets cover gender, ethnicity, education and socio-economic background, and are a response to the charge that the senior Civil Service, especially, is too homogenous, and too drawn from a narrow set of social backgrounds. Critics argue that maintaining too narrow a recruitment base could make the Civil Service inward-looking and ill-equipped by background and personal experience to meet the challenges facing the country in the twenty-first century.

29. As a result of Sir Richard's report, each government department has established its own diversity action plan and the Cabinet Office set service-wide targets for the senior Civil Service. The service-wide targets are that: the proportion of women in the senior Civil Service is to be increased from 17.8 per cent in 1998 to 35 per cent in 2005; the representation of people with disabilities is to be increased from 1.5 per cent in 1998 to 3 per cent in 2005; and the representation of people from an ethnic minority background should rise from 1.6 per cent to 3.2 per cent by the same date. (At 14 December 2000 the actual figures were 22 per cent for women, 1.7 per cent for people with disabilities and 2.1 per cent from an ethnic minority background.)[39] We are concerned that these desirable targets are not all that likely to be achieved. Sir Richard Wilson said that the target for the percentage of women in the senior Civil Service was unlikely to be reached because there were not enough women in the ranks just below who were in line for promotion.[40] If this one target cannot be met, for reasons which could have been foreseen, it is possible that others may be equally doubtful; and it raises questions about the basis of such target-setting. We take it for granted that the pursuit of targets will not be at the expense of quality.

30. While welcoming these developments, we recognise the force of the point made by Sir Robin Mountfield that it may be preferable to diversify recruitment at levels just below that of Permanent

Secretary if the intention is to broaden the pool from which Permanent Secretaries are chosen.[41] However, we do believe there should be open competition for all Permanent Secretary posts. There are practical obstacles in the way of such external recruitment and these include salary and pension differences. Civil service rates of pay have usually been substantially lower than those for people of comparable ability elsewhere. If outsiders of quality are to be attracted, then the pay issue is inescapable. So is the question of pensions, which 'lock' civil servants into a Whitehall pathway after a few years. We understand that there is currently a review of pension arrangements taking place, which we welcome, while recognising that the implications of change are far-reaching.

### *Outside recruitment and secondments*

31. Many suggestions have been made for opening up the civil service at senior levels to provide channels for a wider range of people, especially those with private sector business management experience, to be able to compete for senior positions. We heard different opinions on the proportion of senior staff that it would be appropriate to recruit from outside to prevent a civil service department becoming a 'stagnant puddle'[42], and also on the appropriate job levels for such recruitment to take place. While advocating outside recruitment, Sir Christopher Foster acknowledged the 'considerable risks' in bringing people in from outside because 'you know them less well and...one out of three you wish you had not'.[43] He thought that the proportion of permanent civil servants should be kept at 80 or 90 per cent. Others argue that the levels of 'core staffing' needing to be protected for career civil servants in order to avoid any dilution or erosion of core civil service values are much lower at senior levels, perhaps only around 50 per cent. Experience in countries which have moved to a much greater reliance on short-term contracts for senior civil servants have found there are disadvantages as well as advantages. In the first place, as Professor Rhodes told us, Civil Services can experience a loss of institutional memory[44], a problem to which Kate Jenkins alluded as she reflected on changes since she had begun her civil service career. A further difficulty is that once some turnover of civil servants to private sector careers, or of private sector people coming into the Civil Service, is planned for, actual turnover is even faster than expected. Individuals coming in from the private sector tend not to serve as long as it was intended they should. Sir Robin Mountfield argued that there could be a possibly unforeseen result of introducing greater competition for jobs, both internally and from outside: namely that a concentration on filling a series of immediate job vacancies could militate against planning career development for a cohort of civil servants as a whole and the preparation of selected individuals for



top jobs.[45] We believe that it is right that the Civil Service should draw in talent and skills from outside, and in numbers sufficient to make a real difference. But, just as the best private sector organisations nurture and develop their own staff, this goal has to be the central emphasis of the Civil Service too. Proposing changes to the composition of the Civil Service always carries some potential for damaging consequences, which need to be carefully balanced against the advantages. The service depends for its character and values upon an established ethos of political impartiality, strong legal compliance and resistance to corruption, to mention only three key aspects of the traditional system. The fact that we have a Civil Service that is a byword for incorruptibility is an important aspect of this. It is essential that change is managed in such a way that the core values of the service are not put at risk.

32. There are a number of alternative ways of diversifying the experience of those who come to take up senior positions in Whitehall and its agencies. An important feature of the Civil Service reform programme is the expectation that in the future senior civil servants will be expected to have wider experience in a variety of possible settings. To be considered for promotion to the senior Civil Service, individuals will be expected to have significant experience outside Whitehall, whether by working in front-line service delivery agencies and positions or secondment to outside organisations. There will also be greater movement between departments, and witnesses pointed to the increasing service-wide advertisement of posts. We believe that these developments, if actively pursued, offer great potential for enhancing skills.

33. Among the initiatives included in the Wilson reforms was the identification of 100 key tasks for which secondees could be brought in, and a year-on-year increase for five years in open competition for middle and senior managers. On these targets, Sir Richard was bullish, saying:

'We have committed ourselves to increasing the number of open competitions by 10 per cent a year over five years. I think we will probably be shown to have done in one year what we aimed to do in five. We have committed ourselves to identifying 100 key posts, which are to be filled by bringing in people on secondment, a more open service. We have identified 180 posts now and have written to 1,000 organisations to try to get the best people we can to fill them'.[46] This represents positive progress, but the increased use of secondments is not a substitute for real mobility and permanent change in the pattern of career paths.

34. Secondments can bring with them difficulties, not only when they take place within the service but also when they involve

movement in and out. For example, the FDA, representing the senior ranks of the Civil Service, told us that promotions while on secondment are not always recognised by the parent department. If this is the case within Whitehall then the problem is likely to be even worse when secondment involves organisations from a different sector altogether. A further impediment is the natural fear of people who may still expect to make their career in one organisation that, if they are absent for any length of time, others may steal a march on them. (This concern may apply also to staff asked to leave Whitehall to gain experience of front-line service delivery). If secondments are to be effective, it is important that such difficulties are squarely faced and properly resolved.

35. Some of the organisations which may be keenest on seconding higher-paid people to work in the Civil Service, or in offering positions to high-flying civil servants within their own organisation for a period, may do so because it creates competitive advantages or added-value for them in their main line of work. For instance, they might think it would be a helpful investment for their future abilities to negotiate with or influence government, or they may derive substantial parts of their corporate income from work for the departments or agencies concerned—as for instance do many management consultancies, large accountancy firms, or companies offering extensive services to the public sector. It will be important to ensure that possible conflicts of interest are clearly identified and kept under review at three levels: at the level of individual secondments with particular organisations; at the level of the overall pattern of secondments within a given department or agency over time; and across Whitehall and central government as a whole.

#### *Audit in the public sector*

36. Issues of audit, regulation and inspection have become increasingly important in the modern management of the public sector. Influential commentators such as Professor Christopher Hood and Michael Power have pointed to an 'audit explosion' in which the use of audit processes has extended beyond traditional audit bodies such as the NAO and the Audit Commission to a wide range of sector-specific 'internal bureaucratic regulators'. We believe that classical audit work and approaches still have some way to go before they are as comprehensive as they should be. There is also scope for performance audit work by the NAO and Audit Commission to have more impact on policy implementation. We support the recommendation of the recent Sharman review that public audit should always follow public money so that the effectiveness of public policies can be meaningfully assessed, even when grants or transfers pass to private sector bodies.[47] However, on the growth of internal regulators and the use of quasi-audits to

control public policy implementation, especially by local bodies, we heard much evidence to the effect that the present arrangements for regulation and inspection are both excessive and poorly coordinated. For example, on our visit to the North East we were told by the Head of the Crime Prevention Partnership that as the Area Commander he now had 'more PIs (performance indicators) than PCs (police constables)'. The audit and inspection explosion carries with it the danger that process will triumph over product. We welcome moves by the Government to review and reduce the regulatory burden on implementing organisations, especially where public sector bodies are able to demonstrate their competence in performance in an evidence-based way. We would like to see this easing of the regulatory burdens go further, consistent with the maintenance of appropriate public accountability.

37. In recent years UK governments have been concerned to test legislation for its compliance costs to business through regulatory impact assessments. Yet this same discipline has not been extended to the public sector. We believe that it should be. New legislative requirements, including the demands of the 'Modernising Government' programme and current local government changes, do not come cost-free. Indeed, the costs can be considerable and it is right that they should be openly and explicitly recognised. We believe that a compliance cost assessment procedure for the impact of legislation on the public sector would help to achieve this. The methods used to determine costs incurred could range from a fairly narrow study of direct costs to more extended cost-benefit analysis. We put this idea to the Cabinet Office Minister, Lord Falconer, who replied: 'I can see real merit in that.'<sup>[48]</sup>

38. More broadly, we believe that a full review is now needed of the whole world of audit, regulation and inspection as far as the public sector is concerned, in order to ensure that the arrangements in place are coherent, consistent and appropriate. We also have some concerns on the monitoring of performance. While we recognise that all departments are putting out more information relating to their performance, we question the extent to which effective monitoring is actually taking place. We have been told repeatedly that it is the responsibility of departments to monitor their own performance. Michael Heseltine argued in evidence to us that the Audit Commission has saved millions of pounds of tax payers' money through work monitoring local government performance, and felt that their remit should be extended right across government.<sup>[49]</sup> However, the NAO already undertake value for money performance audits across all central government departments<sup>[50]</sup>, and have built up an invaluable base of expertise since beginning this role in 1983. There are limits on NAO's remit, however, which does not allow them to query policy decisions or

assess their substantive wisdom, only to assess the effectiveness of implementation within announced policy guidelines set by Ministers.

*Parliament, citizens and accountability*

39. Proper attention must be paid to the role of Parliament in supervising government performance and progress on modernisation. At the moment there is a risk of accountability arrangements by-passing Parliament in a welter of auditors, watchdogs, ombudsmen, inspectors and charters. The Audit Commission, for instance, is a quango responsible only to the Department of Environment, Transport and the Regions, and with no regular and direct answerability to Parliament for the work that it undertakes or the guidance reports that it issues. It is important that these mechanisms are linked to political accountability, both locally and nationally. The powerful combination of the NAO and the Public Accounts Committee (PAC) might fruitfully be extended across the Select Committee system of the House of Commons, and we welcome the modest step recommended in the 2001 Sharman report that the NAO should prepare an annual report for each departmental Select Committee on issues falling within that Committee's scope of concerns.[51] Extending the remit for independent monitoring further along these lines would help to complement joined-up government with joined-up accountability. We are attracted by the idea of the NAO having a broader role in relation to Parliament, helping Select Committees to monitor the performance of departments. For instance, we note that the PAC only has time to discuss around half the value-for-money reports produced by the NAO each year. Other reports could be sent to the relevant departmental Select Committees, for them to discuss or not as they chose. The Audit Commission also needs to be brought into the parliamentary accountability loop, by reporting to the Select Committee on the Environment, Transport and the Regions for its work on local government; to the Health Committee for its work on NHS bodies, and to the Home Affairs Committee for its work on the police service. A case might also be explored for a new national body to perform a wider policy review and policy-questioning role, going beyond either the NAO or the Audit Commission performance audit briefs. The way Parliament allocates money to the Government, and also the way that Treasury rules operate, have a major impact on the way the Civil Service takes forward this agenda.

40. In all of this it is important to keep citizens at the front of the picture. For example, individual citizens could be given a brief synoptic account of how the money raised in central taxation has been spent. Work in central government-sponsored focus groups has shown that many citizens spontaneously mention the leaflets

which local authorities distribute each year, explaining their expenditures and revenues, at the time when council tax payments are notified. There is currently no central government equivalent of this direct communication, for example a leaflet circulated with Inland Revenue income tax forms. The Government has instituted an Annual Report, an innovation which we welcome, which is extensively distributed in supermarkets and elsewhere. But this document is strongly presentational and its statements are not independently verified or endorsed, which we believe they should be. The real drivers of audit and accountability in public services should be what users want from services, and their experience of them. The centrality of effective complaint and redress mechanisms needs to be recognised. An approach that begins to define a serious framework of rights (and responsibilities) for public service users of the kind tentatively developed under the Citizen's Charter, but somewhat lost sight of subsequently, needs to be resurrected and extended. Public services need to be open for business at times and in places convenient for those who use them. We look to the 'consumer champions' in each Department, and to the Service First Unit in the Cabinet Office, to move these issues forward.

#### *Making government work at the centre*

41. We heard much evidence on the question of whether greater strategic direction at the centre would involve a strengthening of the Prime Minister's office or some other alternative, such as a strengthened Cabinet Office. Our view is that the key issue here involves extending strategic capacity at the centre, and that which particular mechanism is favoured is rather a secondary issue. Strategic capacity to co-ordinate policy and think ahead could be strengthened in a number of ways, involving new relationships between No 10 Downing Street, the Treasury and the Cabinet Office, the key central players. Our preference is for a model which strengthens Cabinet government as a whole, rather than for one which supplants it with something else, although the case for a Prime Minister's Department needs to be properly assessed. This means that the Treasury should not be the sole custodian of the PSAs, which now underpin the Government's spending programme. Working closely with the Prime Minister's office and headed by a powerful Cabinet Minister charged by the Prime Minister with delivering the Government's strategic objectives, the Cabinet Office should play a central role. But this requires that the Cabinet Office becomes less of the 'bran tub'[52] described to us by Michael Heseltine, and more of a central strategist and performance monitor with real clout within government. We note that the recent peer review of the Cabinet Office concluded that it should have fewer priorities and focus on these more strongly.[53]

42. The 'Modernising Government' programme as a whole is complex and has multiple elements. It is not always clear where the really key priorities are, with the resulting danger that civil servants will endeavour to work methodically on all of them at once. This is a great virtue; but it is also a considerable disability in terms of putting first things first. In our view the immense checklists contained within the 'Modernising Government' programme need to be converted into a much stronger definition of what the key priorities for action are, with clear responsibilities assigned for delivering them. The same applies to the Civil Service reform programme. One key reason for the difficulty in determining priorities is the highly complex organisation of the Cabinet Office itself, with a profusion of small units and divisions all exercising surveillance and issuing instructions from the centre of government. Many of the units—such as SEU, PIU, OeE (and its predecessor the Central IT Unit)—have produced some excellent reports. But it remains to be seen how effective they will be in producing durable results. One concern is their ability to implement their own recommendations. Geoff Mulgan told us that it was the job of departments to implement the findings of PIU reports[54], since staff only serve short secondments with it. The relatively small size of the cross-cutting units makes it difficult for them consistently to monitor the implementation of results. We look to the Cabinet Office to simplify and streamline its own patterns of internal organisation, including the briefs of senior staff and Cabinet Office Ministers, in order to express in a much more ordered and integrated programmatic way what the Government wishes to be done by way of 'Modernising Government' and implementing Civil Service reform. There is also a case for the Cabinet Office to consider what more needs to be done to get to grips with the risk assessment and risk management issues that are central to modern government.

### *Conclusion*

43. Making government work better is a process. It is a continuing task, with many strands to it. We commend the Government for the vigorous way in which it has approached the task, its attempt to grapple with some key issues, and for a range of important initiatives. We hope to continue to monitor progress of the bold programme of the 'Modernising Government' White Paper. In this report we have sought to identify some emerging issues that we believe need to be addressed if this programme is to be carried forward successfully. Some fundamental issues we have not addressed: the fact that public services will only work well if people are prepared to pay enough for them, and if they are staffed by people of high quality who are properly rewarded and highly motivated; nor how much the state should do, whether as direct provider or enabler or partner; nor if radical changes to the pattern

of public provision are required. These are important matters, but they go beyond our brief here. What is certain is that government has a permanent obligation to ensure that it is working as effectively as possible for the citizens who pay for it; and that public service should genuinely mean service to the public. This is what making government work means.