

**Speech given by the Prime Minister
on the subject of
Civil Service Reform**

Tuesday 24 February 2004

When I made my first speech on the Civil Service in October 1998, I relied necessarily on a lot of theory; my experience of government was limited. Now in February 2004, I can base my, necessarily subjective, views on almost seven years of experience.

I will come to the present and the future shortly but first I want to take this opportunity to celebrate the 150th anniversary of the Northcote-Trevelyan report.

In 1854, at the request of the Chancellor of the Exchequer, William Gladstone, two Treasury officials, Northcote and Trevelyan, produced a brief report on the future of the Civil Service. Their main recommendations were, firstly, that civil servants should be recruited by open competitive examination (with the examinations conducted by an independent central board) and, secondly, that promotion should be on merit rather than seniority. The endemic patronage of the age would be replaced by an assessment of the ability to do the job.

Mild though the Northcote-Trevelyan proposals seem in retrospect, they were far from universally welcomed. 'Where is the application of the principle of public competitions to stop?' Queen Victoria asked nervously. The Cabinet itself was divided with the result that it was not until Gladstone himself became Prime Minister in 1868 that the proposals really made an impact and even then competitive entry into the Home Office and Foreign Office was not put in place until 1914. But what made the Northcote-Trevelyan proposals a turning point was the enduring values which underpinned them.

Those values of integrity, impartiality and merit have proved timeless and are a decisive legacy of Gladstone and his officials.

The question for the Civil Service in our generation is how to sustain these values, while bringing about the radical transformation our times demand.

The Civil Service has strengths that are priceless. The greatest is indeed its integrity. That comprises not just its impartiality, but an ingrained, pervasive streak of honesty. It knows the difference between obeying legitimate political orders and impropriety. It knows it by instinct and it executes it without fear or favour.

It sees its role as serving the Government of the day to the best of its ability, whatever colour the Government's politics. The transition to New Labour after 18 years of Conservative Government was achieved with remarkable ease, a tribute to both of Andrew Turnbull's immediate predecessors, Robin Butler and Richard Wilson. The myth on which young Labour activists were reared in the 1970s and 80s of a Civil Service that was Tory to its bones, turned out to be just that: a myth.

And its strengths do not stop with the lofty ideals of integrity and political impartiality. The ability of the Service to master complex negotiation not just with attention to detail but sublime skill, I have witnessed and been grateful for, on many occasions. We could never

have done the Good Friday Agreement without it; or countless European Councils. There is an intellectual ingenuity in parts of the Service that is remarkable and rare in any field.

For politicians who must endure the crucible of daily Parliamentary and press probing, some of it fair, some of it not, the Service also provides expert advice, intelligently crafted and usually utterly sensitive to political reality. The parody of Sir Humphrey is like all good parody: it has a heavy dose of truth in it. But to any would-be senior politician, I say: don't knock it. The art of Sir Humphrey will remain necessary as long as politics remains. But for the caricature to define the modern Civil Service would be absurd.

The calibre of the individuals within the Service is enormously high; in many respects every bit as good as their private sector counterparts. And in addition to all of this, we should never forget that the Civil Service unlike a private sector company, can't pick and choose its clients. It has to handle some of the most difficult, most intractable and least comfortable people and issues.

So why does it now need radical reform?

The reasons are exactly the same as those for reforming the NHS, schools, universities or the Criminal Justice System. The world has changed and the Civil Service must change with it. The purpose of change: not to alter its ethos and values but, on the contrary, to protect them by making them work in a way more relevant to the modern age.

The danger of not doing so can be seen in the arguments of those who want a minimalist state; who point to the failings of the public services and say they are rotten and incapable of reform. More than that, they say Government does little but harm, so the less of it the better. It is an obstruction to the citizen at worst; at best an expensive irrelevance.

I do not believe in a minimalist state. But I don't believe in Big Government either. I believe in Enabling Government. I believe in the power of government, not to control people's lives or dictate conduct except where necessary for the greater good, but to help people to help themselves.

I said once that the paradox of our times was greater individualism and greater interdependence going hand in hand. The reason is that for all its increased wealth and opportunity, nations like ours are faced with huge insecurity. Globalisation, technology, world trade, mobility, migration, mass communication and culture: there are benefits in it all, but they combine to change the world fast. And with the speed of change, people are displaced, industries made obsolete, communities re-shaped, even torn apart. Above all, the premium is on a country's ability to adapt. Adapt quickly and you prosper. Fail to do so and you decline.

Government has a vital role in equipping people to survive and prosper in these times. It helps set the right conditions for economic stability and the climate for business and investment. Government provides the structures and rules within which public services perform and are held to account. Government makes the laws and sets the framework for the administration of criminal justice and rules of immigration. Government pays out benefits and collects revenue. Government helps protect the environment, safeguard the country against terrorism. And in each area, how Government itself performs or is held to account dramatically affects the quality of the frontline service. In all of this, when we talk of

Government what we mean in large part, is the members of the Civil Service who carry out these duties.

Government has always had this impact. The difference, however, lies precisely in Government's own ability to adapt to change. Consumer expectations of Government services as well as others are rising remorselessly. People no longer take what is given them and are grateful. They want services that are responsive to their needs and wishes. Long gone are rigid demarcations between public, private and voluntary sectors, at least in the public's mind. They are happy to see and often require partnership between the three. They see the revolutionary effect of IT and want it applied across the public sector too. And above all else, the majority today are taxpayers. Government money is their money. They expect a return. This is the rationale for the Gershon Review, which will inform this summer's Spending Review.

So: we have a situation where Government is as necessary as ever to help people through changing times; but the very fact of that change means radical reform in the way Government itself works, so that it is fit for the task.

Government has to become an instrument of empowerment, quick to adapt to new times, working in partnership with others, to deliver clear outcomes so that the public sees a return on its investment through taxation. It has to go through exactly the same process of change as virtually every other functioning institution in Britain

Look back over the past 20 years and of the leading 20 UK multinationals today, most were not even in existence then.

I talked earlier of the Civil Service strengths. What of the challenges facing it?

The principal challenge is to shift focus from policy advice to delivery. Delivery means outcomes. It means project management. It means adapting to new situations and altering rules and practice accordingly. It means working not in traditional departmental silos. It means working naturally with partners outside of Government. It's not that many individual civil servants aren't capable of this. It is that doing it requires a change of operation and of culture that goes to the core of the Civil Service.

Where it has happened - and there has been much progress in the past few years - the results are plain and gratifying. The I.N.D. is a transformed part of the Home Office, with, as we see today, asylum claims more than halved; claims processed not in 18 months, as in 1997, but 80% of them in 2 months. How has it done it? By changing the law; by innovating, by setting targets; by leadership; by focusing on results.

The street crime initiative has led to major changes across the CJS and its lessons are now being applied to other aspects of crime and drugs; the creation of specialist schools and City Academies; the New Deal that has cut long-term youth unemployment to a few thousand; all these are real examples which have brought tangible results to the citizen.

But too many of these lessons are learnt in crisis and too much of it is exceptional not the norm. For example, I learnt much from the ghastly crisis of Foot and Mouth. And never forget we ended in around 6 months an outbreak much more serious than the one of 1967 and which many thought would stay with us for years. Civil Servants worked round the clock in

heroic fashion to crack it. Scientific advice was vital. But the blunt truth is that it was the Armed Forces' intervention that was critical to delivery. Why? Because they didn't take 'no' for an answer; they used rules as a means to an end, not an end in themselves; and as the situation changed, they changed.

But essential to their being able to do that, was that people accepted that's how they were. The political contribution - other than to remove obstacles - was circumspect. They were allowed to take risks. If something failed, they didn't waste time with a Committee of Inquiry; they tried something else. They had a remorseless focus on delivering the outcome.

The Civil Service is not and cannot be like the Armed Forces. I give it simply as an illustration of the fact that such a modus operandi is not only found in the private sector; and it requires politicians as well as civil servants to change.

Politicians will have to be more intelligent about what information they seek. A significant part of "bureaucracy" results from them seeking vast amounts of information from front line staff, often via a range of different agencies. In addition, politicians will have to allow the system to take risks. Sometimes, things will be tried and will fail. That shouldn't denote a major political crisis. In tackling some issues like A.S.B. some new initiatives will work; some won't. But the only way of distinguishing the one from the other, is to try. If we want the Civil Service to be more entrepreneurial, to be more adventurous like their private sector counterparts, we have to loosen up. I know we, like you, have to be held to account. But sometimes we can be so frightened of the process of accountability, we opt for inertia.

In each of examples I have given, the success factors are similar: a sense of ambition, including crucially the belief that apparently intractable problems can be solved; a relentless focus on outcomes; clarity including the application of the programme and project management techniques that have transformed business; urgency including finding out quickly what's working and what isn't and adapting accordingly; and finally seeing things through until change is irreversible. A growing number of leaders in the Civil Service are demonstrating their mastery of this discipline of delivery. My Delivery Unit, focusing on delivery of some of the Government's most important public service objectives, has helped to spread this good practice and deepen its impact.

What does it mean in practical terms? It means the following:

- a smaller, strategic centre;
- a Civil Service with professional and specialist skills;
- a Civil Service open to the public, private and voluntary sector and encouraging interchange among them;
- more rapid promotion within the Civil Service and an end to tenure for senior posts;
- a Civil Service equipped to lead, with proven leadership in management and project delivery;
- a more strategic and innovative approach to policy;
- government organised around problems, not problems around Government.

So let me describe briefly each of these seven keys to transformation of the Civil Service. Sir Andrew Turnbull is today publishing a document that provides the detail. I want to pay a special tribute to his leadership at this time. He has been outstanding in taking both this and the Gershon Review forward and I am truly grateful to him.

1. A smaller, strategic centre

Organisations in the business sector have changed dramatically in the last two decades, with the centre becoming smaller, more strategic and more intelligent. Its function is to develop strategy, monitor performance and intervene only when it needs to. It needs to learn fast and exploit the opportunities of the rapidly changing world which I have described. To do so, it needs to be constantly in touch not just with the frontline but with the customers it serves.

There are clear implications here for government. Many government departments have a function similar to those of a headquarters of a major business operation. They are not identical - democracy ensures that - but the changes they need to make are very similar. In our first phase of reform it was necessary to drive it substantially from the centre in order to address a legacy of under-investment and uneven outcomes. Literacy in primary schools is a good example. But as standards rise and reform becomes more strategic so our approach to delivery is changing.

I expect to see other departments following the example of the Department of Health which is cutting its headquarters by 38 per cent by becoming focused on strategic leadership rather than micro-management. If we can get this right there is a double dividend: less unproductive interference in the day-to-day management of public services and more resources freed up for the frontline. In the summer the DfES, Home Office and DfT alongside Health will publish proposals along these lines. The DWP, having for good reasons increased staff to cope with change to the tax and benefits areas, is set to reduce numbers by 18,000 over the coming two to three years.

Just as this argument applies to each department as the centre of a given service, so it also applies to the centre of government itself. It was right for example to cut the Cabinet Office budget significantly last year. We have some distance to go to develop the small strategic centre implied by major business transformations but the direction we're headed is already clear.

2. A Civil Service with professional and specialist skills

The IT projects now underway in the NHS are among the biggest and most complex in the world - that's why it was right, for example, to bring Richard Grainger in to oversee IT in the National Health Service. Similar arguments apply to finance and human resource management. The talented amateur, however talented, is simply not equipped for these complex, specialised tasks.

In future the key roles in finance, IT and human resources will be filled by people with a demonstrable professional track record in tackling major organisational change, whether inside or outside the Service.

3. A Civil Service open to the public, private and voluntary sectors and encouraging interchange among them

Big government in the mid-20th century tended to assume that if something was worth doing, government should do it itself. Since then, there has been a substantial shift, profoundly affecting both government and the Civil Service. For some services - telecommunications for example - the application of market forces was the answer. For others, partnership with other sectors has proved effective. Many services are now provided on contract or through partnerships with either the business or the voluntary sector. This diversity of provision

increases flexibility and extends experimentation. We need increasingly to breakdown the distinction between the Civil Service at the centre and those on the frontline.

And for all of government, the lessons of the revolution in business management have been highly relevant. Through participation in MBAs, the Top Management Programme and other courses, civil servants have become much more in touch with other sectors than they were a decade or so ago.

The most powerful signal of this growing interchange is the recruitment into senior positions of people from outside the Civil Service. A fifth of Director General posts are now filled by people brought in from outside and the proportion is rising. There are also many more practitioners, for example from the health or education services, working inside government departments directly involved in shaping policy.

These are important developments, which strengthen the Civil Service's capacity to be in touch and to deliver. We intend to continue to recruit extensively from outside the Civil Service to senior posts, including at the highest levels. We also need to examine the business rules to make it easier for civil servants to move into the private sector and back again.

4. A Civil Service with more rapid promotion and an end to tenure for senior posts

It follows from my argument that promotion in the Civil Service increasingly needs to reward delivering results on the ground. Already this is beginning to happen.

The challenge now is to apply this approach at every level of the service, with results and outcomes paramount. So today's document proposes much sharper performance management. People with the most potential will move onto the new High Potential Development Scheme, and then if they continue to perform, rapidly into senior positions. There are also higher rewards for those who achieve the most. Conversely those who, relative to their peers, are in the lowest 20% of comparative performance will have to address the causes of poorer performance and will be moved out if they can't meet the demands of the job. Rigour about performance must be at the heart of a leaner more effective Civil Service.

In addition, we will radically extend one of the central principles of Northcote-Trevelyan - that of merit - by applying it to existing posts as well as new ones. We are establishing a new norm that all senior Civil Service jobs will be four-year placements, with no presumption of permanence in post. Indeed, the burden of proof, as it were, will shift with change becoming the norm and continuity requiring justification.

5. A Civil Service equipped to lead, with proven leadership in management and project delivery

One of the things that makes our military so successful is their appreciation of the importance of leadership, and why it matters at every level from the corporal to the general. Wherever you find an example of successful delivery in government, you find an excellent leader in the Civil Service. The head of a large department employing thousands of people needs real leadership quality. We need permanent secretaries who are passionate about the service they lead and able to inspire and who display profound understanding of what it takes to get things done.

And it's not just a matter of heads of department. As in the military, it's about leadership at every level - people willing to take responsibility for a challenge and able to inspire those inside and outside government on whom delivery depends. Many - especially in the rising generation of civil servants - know that to lead in this way you have to bring passion to the job: you have to care. That is why we are increasing our investment in leadership development and why the whole approach to leadership development is being transformed. Through the High Potential Development Scheme, future leaders will be given a far wider range of experience, both of actual frontline services and of active project delivery.

6. A more strategic and innovative approach to policy

Strategic policy making is a professional discipline in itself involving serious analysis of the current state of affairs, scanning future trends and seeking out developments elsewhere to generate options; and then thinking through rigorously the steps it would take to get from here to there. I find too often that civil servants have not put forward a proposal either because they thought it would not be acceptable politically or because it simply seemed too radical. I always say be bold in putting forward proposals; don't be afraid to recommend ideal solutions that look impractical; it is my job and the job of ministers to decide whether something can and should be done but our thinking will be the poorer if too many ideas are ruled out before they get to us. Both the DfES and the Department of Health are currently seeking to recruit professional heads of strategy to strengthen this function.

Moreover, large bureaucracies tend to be risk averse. Failures that result from taking risks are too often punished more severely than failures which result from inaction. The Civil Service needs to encourage and reward lateral thinking. It needs to reward civil servants who look outwards for learning rather than up the hierarchy for approval. The recent Children's Green Paper and the establishment of the new National Offender Management Service are examples of productive new approaches to policy development.

The other dimension of this is regulation. For civil servants and Ministers regulation often appears costless. But for those delivering on the frontline in schools or hospitals or in small businesses it is not. Each piece of new legislation now has a regulatory impact assessment. New legislation should not go forward until the regulatory burden is taken into account. Civil servants should be judged not on how much they regulate but by how effectively they achieve their aims without regulation. We have to change the whole approach to risk and accept that there is a cost in trying to be completely watertight just to ensure that we have covered every eventuality, no matter how improbable. We are also starting across the board a dialogue between Government and independent regulators so that they are sensitive to the impact their regulation has. We need similar changes in Europe.

7. Organising government around problems, not problems around government

Too often government's structures reflect vested interests and tradition. Departmentalism remains strong in Whitehall - usually too strong - and the allocation of ministerial portfolios sometimes unhelpfully reinforces these barriers. So this too is a challenge for politicians as well as officials.

Many of the most pressing problems of our time cut across departmental boundaries. We have tried to make departments closer in shape to the groups they serve - bringing together, for example, functions around children, rural affairs or criminal justice with long overdue

reforms. Dividing the DWP into a Pension's Agency and JobCentre Plus - both radically changed organisations in which civil servants serve the customer directly - is another major reform along these lines. JobCentre Plus itself, as I have heard from private sector employers, has been a revolutionary change in the way that employment and benefit services are administered and driven through at a pace the private sector would have found hard to emulate.

But changing structures alone is not the answer. We also need to move away from the dominance of permanent departments and structures towards more project working, more teams collaborating across departmental boundaries, more shared budgets. This should be a prime objective of Sir Andrew Turnbull's work over the coming year. The street crime initiative is a good example of this. So is IT in the Criminal Justice System. Some of the most successful examples of delivery - like the Rough Sleepers' Unit, have been achieved by teams working in radically different ways - cutting across departments, led by practitioners, galvanised by the passion to get things done.

A less departmental Civil Service will demand fresh thinking about the capacity of the centre of the Civil Service which will need to become much better able to manage people across departmental boundaries and to match people to the posts where their skills are most needed.

Conclusion

The goal is a transformed Civil Service, capable of serving governments of any colour in the era of globalisation. We need a Civil Service which aims to amplify the implementation of successful change rather than, as sometimes in the past, act as a shock absorber in order to maintain the status quo.

I have asked Sir Andrew, working with colleagues from both inside and outside the Civil Service, to accelerate the pace of reform and report back in a year's time on precisely what has been achieved and what additional measures are needed. The fundamental values of Northcote and Trevelyan, lampooned at the time as an alien Chinese import, have survived remarkably intact through successive waves of reform. Douglas Alexander has already announced our plan for a Civil Service Bill.

Northcote and Trevelyan saw themselves responding to what they described as 'the great and increasing accumulation of public business, and the consequent pressure on the Government'. Since their time that pressure has multiplied many times over. No government owns the Civil Service. It belongs to the public that it serves. For the British people a Civil Service that can deliver, adapt and innovate is a hugely valuable asset. Our duty, and the duty of any government, is to leave it in better shape than we found it and, as far as possible, prepared to meet whatever challenges the future may bring. I am confident that through the reforms proposed today and those that will follow, we can ensure that happens.

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