

# Accountability at the Top

Supporting Effective Leadership in Whitehall

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and Josh Harris



## Foreword

This report tackles one of the most sensitive issues at present in Whitehall – the accountability of permanent secretaries and their relationship to secretaries of state. It recognizes the anxieties and the tensions between some ministers and some senior civil servants. There are real causes for concern on both sides, rooted in often confused and murky accountability systems which are unclear on relative responsibilities and the consequences of poor performance. The report does not believe there is a simple structural fix but suggests a number of practical steps to provide greater clarity about the roles of secretaries of state and permanent secretaries, recognising their shared and mutual responsibility, and to strengthen the performance management of the latter. It provides a way through the smoke and clamour of recent Whitehall skirmishes.

Akash Paun, the lead author of this final report in the accountability series, ran our 15-month long project which has addressed several of the key issues, such as the appointment of permanent secretaries, enlarged ministerial offices, civil service accountability to Parliament, the role of accounting officers and legislating for the Civil Service. Joshua Harris wrote the latter two papers and has worked alongside Akash throughout the project on the research and analysis of the central themes.

This project has involved not only reports but also a series of public events and private workshops at which ministers and senior officials, both past and present, have discussed these important issues – fulfilling the Institute for Government's aim to be at the centre of debate about the future of Whitehall.

Peter Riddell

A handwritten signature in black ink that reads "PJR Riddell" followed by a horizontal line and two dots.

Director  
Institute for Government

## Acknowledgements

We would like to thank a large number of people for their help and advice during the 15-month programme of work that culminates in this paper. At the Institute for Government, we are particularly grateful to Peter Riddell, Sir Ian Magee, Julian McCrae, Jill Rutter and Nadine Smith for their advice and guidance throughout; and to Pepita Barlow, who joined the team part-way through the project and contributed greatly in the five months she spent at the Institute. Sir Leigh Lewis, Sir Jonathan Stephens and Lord O'Donnell also contributed valuable insights and advice.

Others at the Institute to whom thanks are due include Zoe Gruhn for her helpful suggestions; Andrew Murphy who managed the publication process for this and all the previous papers in our accountability series; Mark Mistry, for his work on communications; and the Institute's excellent events team – Kerry Burkett, Loren Bushell and Candice Mackenzie – for helping to organise five seminars that informed our work.

The project also relied heavily on insights and advice from countless other people across Whitehall, Westminster and beyond. Space does not permit listing them here and many must in any case remain anonymous. But we are exceedingly grateful to all who spoke at our seminars, shared expertise in interviews, commented on draft papers, and provided information in other ways. Finally, we are grateful to the Essex Research Trust for its support of our work.

## About the authors

Akash Paun is a Fellow of the Institute for Government, where he has worked since 2008. Over the past year he has led the programme of work on accountability arrangements in central government, of which this paper is the final output. His recent publications have discussed subjects including ministerial private offices, the appointment process for permanent secretaries, and the accountability of civil servants to Parliament. He also leads the Institute's work on coalition government and devolution.

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## Summary

All is not well in Whitehall. Effective government rests upon the existence of strong relationships, built on mutual trust and confidence, between ministers and their officials. In particular, each department can function well only when its secretary of state and permanent secretary work together closely and co-operatively to provide strong shared leadership.

Yet in recent years tensions and mistrust at the top of Whitehall have been exposed on a frequent basis. There has been public criticism of civil servants – by ministers and anonymous briefers – on issues such as Universal Credit, the West Coast Mainline decision, and the pace of civil service reform. There has been a relatively high turnover of permanent secretaries, which in part reflects ministerial dissatisfaction with their senior officials.

There has been briefing in the other direction too, with officials (or at least ex-officials) criticising the Government's direction of reform and its treatment of the Civil Service. Our own research has uncovered frustrations and resentment on both sides of this relationship – sometimes justified, sometimes not.

This is by no means the situation everywhere in government. Many relationships work well and many departments are led effectively. Nor are such problems a new, post-2010 phenomenon. Serious and sometimes legendary clashes between ministers and officials occurred in the preceding Labour administration, and long before that.

But it does appear that amidst the turbulence of large-scale spending cuts, headcount reductions and structural reform, relationships between ministers and senior officials are at a low point. It is our contention that one exacerbating factor is Whitehall's outdated and opaque accountability systems, which (by design) do not provide clarity about who is responsible for what, to whom, and with what consequences for good or bad performance.

This system does not work in the public interest, but neither does it serve the interests of ministers or senior civil servants. And under the pressure of growing parliamentary and media scrutiny of the inner workings of Whitehall, some of the strains are beginning to show.

This report assesses the effectiveness of current arrangements for holding permanent secretaries to account, and outlines a set of possible reforms to these arrangements. We do not directly address the political accountability of ministers, but our proposals are designed to clarify and sharpen accountability on both sides of the relationship.

### The many faces of permanent secretaries

The job of permanent secretary is complex and multi-faceted, and accountability arrangements reflect this. The top civil servant in each department in Whitehall plays at least seven distinct roles. Each permanent secretary is 'policy adviser' to their secretary of state; 'implementer' of change and policy; 'manager' of the department's day-to-day business; 'guardian of propriety'; 'controller of public money'; 'steward' of the department's long-term capability; and part of the 'collective leadership' of the Civil Service as a whole.

However, while these functions (or at least the first five of them) are generally accepted to be part of the overall job of permanent secretary, there is little formalisation and no agreed job description. Furthermore, the nature of the job depends to a significant extent on the personal style and priorities of the secretary of state – who can define his or her role within the department as they choose, with the permanent secretary having to adapt accordingly.

The relationship between each secretary of state and their permanent secretary is of crucial importance for the effectiveness of government. Each department is led by a joint leadership of its political and administrative heads, who must work closely together on a basis of trust and shared endeavour.

There can never be a firm and watertight distinction between the roles and responsibilities of these two figures. Joint leadership is inherent in some areas – for example, the implementation of major ministerial policy initiatives – and implies shared accountability. Short of radical constitutional redesign (such as a contractual relationship between minister and department, as in New Zealand, or a move to a politicised senior civil service, as in the USA) this will remain the case.

Nonetheless, we argue that current arrangements – stemming from the convention of ministerial responsibility and its corollary that the Civil Service has no independent ‘constitutional personality’ separate from ministers – create obscured and ineffective accountability arrangements at the top of Whitehall.

When things go wrong it can be impossible to identify where responsibility lies, with the result that no-one is held accountable in a meaningful and transparent way. Nor is there anyone clearly responsible for sorting out the consequences of problems within particular departments – for instance, for stepping in when a relationship between secretary of state and permanent secretary breaks down. Equally, because of the lack of clarity about the role of permanent secretary, good performance is difficult to identify, recognise and encourage.

It is sometimes argued that both ministers and officials benefit from the lack of clear accountability. However, present arrangements operate in a messy, unpredictable and opaque fashion that serves nobody’s interests. Ministers feel that officials get away with poor performance on implementation of policy. The civil service leadership has few effective levers to manage Whitehall as a whole and resolve problems when they arise. And permanent secretaries can find themselves subject to negative consequences (including removal from post) for reasons that appear to be less to do with objective performance than with their relationship with ministers. What’s more, without formal processes or clarity, debates about where accountability lies often take place through off-record briefings and unspecified accusations – fuelling a more general sense of breakdown in relations between ministers and their top officials.

## Assessing the effectiveness of accountability arrangements

Building on insights from past Institute for Government research, we set out a framework of four fundamental characteristics of effective accountability arrangements.

- First, an effective system provides ‘clarity of accountability’, avoiding confusion as to who is responsible for what and to whom, and documents this clearly in an appropriate place.
- Second, there should be ‘sufficiency of control’, meaning for our purposes that permanent secretaries have the ability to control the factors for which they are held to account.
- Third, there must be ‘sufficiency of information’, indicating that those holding permanent secretaries to account are able to do so on the basis of relevant performance information.
- Fourth, the system should encompass ‘clarity of consequences’, with a consistent and widely-understood link between performance and the rewards and sanctions that flow from it.

We found weaknesses along all four of these dimensions, with significant variation between how accountability arrangements work for the seven distinct roles outlined above.

As far as clarity of accountability is concerned, we found that there is agreement – in principle at least – about the ‘core’ of the job. Providing policy advice, managing the department, implementing policy, ensuring propriety and accounting for the public money that passes through the department, are widely-regarded as central to the permanent secretary job. By contrast, the longer-term departmental stewardship role and the permanent secretary’s contribution to Whitehall-wide collective leadership are weakly embedded into the system.

There is also a messy picture in terms of whom permanent secretaries are accountable to for their different functions. The exception is that there is a clear line to Parliament (via the Public Accounts Committee) for the permanent secretary’s responsibility for public expenditure within their department. But even here, Parliament only plays a scrutiny role. It is not responsible for managing the consequences of good or bad performance. For the rest of the job, the formal line manager of permanent secretaries is either the Head of the Civil Service or Cabinet Secretary – the joint civil service leaders. And yet, it is their secretary of state to whom permanent secretaries respond most readily.

The Secretary of State (supported by their departmental non-executive directors) tends to be most interested in the permanent secretary’s two policy functions – advice and implementation, and perhaps implementation above all. The performance-management system led by civil service leaders also concentrates significantly on progress with implementation of current government priorities. Ensuring that government policy is implemented effectively and efficiently is of course of huge importance, but the risk is that other elements of the job are down-played or even discouraged. This applies in particular to functions that are not seen as contributing directly to the achievement of current ministerial policy priorities – such as horizon scanning, being prepared for a potential change of government, or advising on whether ministers and special advisers abide by the relevant codes of conduct.

A further challenge concerns sufficiency of control. Under the convention of ministerial responsibility, secretaries of state can broadly define their own role within their department. Some ministers get more deeply involved in managing the department or overseeing the implementation of specific projects. The role of permanent secretary must change to reflect this. Some ministers are also less open than others to permanent secretaries challenging their policy ideas. These factors make it harder to identify where responsibility rests for getting things right and where fault lies if things go wrong.

The implementer role is especially subject to confused accountability. When policies or projects run into difficulty, it can be hard to identify whether the fault lies more in conception or execution. This can be addressed through the accounting officer system, through which a permanent secretary can request a letter of direction to proceed if they have doubts about the value for money or feasibility of a particular use of public money. This aligns responsibility and control. If a permanent secretary feels a policy decision is misguided on these grounds, they can transfer responsibility for the implementation risks onto ministerial shoulders. But permanent secretaries rarely take this path, for fear of undermining the relationship with their minister. And the current system does not permit a direction to be requested during the course of implementation – for instance if there is pressure from ministers to change the scope or timeline of a project. Accountability thus remains blurred.

The formal performance-management system for permanent secretaries is also seriously flawed, as illustrated by long delays in agreeing and publishing objectives; the disregard in which the objectives are held by permanent secretaries; and the insufficiency of information to assess performance on certain important functions – for instance, on the quality of policy advice or departmental preparation for longer-term challenges.

Clarity of consequences is a weak point across the suite of permanent-secretary roles. Poor performance on something that matters to the secretary of state (or Prime Minister) can have serious consequences, including removal from post. But there is no transparency or clear process around this, leading to the perception that such sanctions are imposed because of personality clashes or ministerial whim, rather than objective performance failings.

### Directions for reform

There are no simple solutions to these issues and no single structural fix. But improvements in a number of specific areas could help to mitigate some of the weaknesses in current accountability arrangements, without changing the essential nature of the relationship between secretary of state and permanent secretary. We have previously proposed two reforms of relevance to this debate.

#### *Supporting ministers to lead effectively*

1. Secretaries of state should be given the responsibility to select their permanent secretary from a shortlist of appointable candidates prepared, as at present, through a merit-based process run by the Civil Service under Civil Service Commission rules. New permanent secretary appointments should be made on a fixed-term basis, with clear objectives agreed and published up front.
2. Ministers should be entitled to appoint more expert advisers, including from outside Whitehall, into an expanded private office. This would give them greater capacity to



ensure that the department is pursuing their priorities and to monitor the effectiveness of implementation of key policies.

These changes on their own are not sufficient to sort out the current, muddled accountability arrangements at the top of Whitehall. In addition, we suggest that consideration be given to ten further reforms.

#### *Clarifying roles and responsibilities*

3. The responsibilities of permanent secretaries should be set out in a clear and published statement, using a framework similar to the seven roles of permanent secretaries that we set out above. This could be embedded in the *Cabinet Manual*, for instance. The permanent secretary's role should explicitly include the stewardship role, with a longer-term responsibility for the health and capability of their department, on the basis that the permanent secretary serves the office of secretary of state – not just the present incumbent.
4. This should be reinforced by a similar statement about the role of secretaries of state. This should include reference to a secretary of state's responsibility to support their permanent secretary's duty to question the feasibility and value for money of ministerial proposals, and to devote departmental resources to longer-term strategic thinking and preparations for a possible change of government at the next election. The statement of ministerial responsibilities could be embedded in the ministerial code.
5. In addition to these central statements, more specific department-level 'compacts' between ministers and the senior management team about respective roles and responsibilities could be developed, as was attempted in the Home Office in 2006/07. These documents would be agreements between ministers and officials, and could help establish shared expectations about how the joint leadership of each department will function.

#### *More effective performance management – led from the centre*

6. The civil service leadership of Cabinet Secretary and Head of the Civil Service should be more clearly responsible for ensuring that permanent secretaries carry out all of their functions effectively. To do this, it is vital that the central leadership function has sufficient resource and political backing (particularly from the Prime Minister), including to think beyond the current political cycle and across departmental boundaries, and to drive departmental leaders across Whitehall to do likewise.
7. The civil service leadership must take responsibility, and be held accountable, for the process of setting performance objectives for permanent secretaries. The current system is flawed and must be improved. A better system would see permanent secretaries commit to a short list of implementation priorities for the year or two ahead – agreed with their secretary of state – as well as a set of longer-term and ongoing objectives covering management of day-to-day business, departmental stewardship and making a corporate contribution.

8. To support the central performance-management function, more effort should be made to improve the collection of management information across the full spectrum of permanent-secretary functions, and to enable assessment against specific performance objectives. Lead non-executives on departmental boards should play a key role here. Scrutiny by the National Audit Office (NAO) and Public Accounts Committee (PAC) should also feed transparently into the appraisal process.

*Clearer consequences for good and bad performance*

9. There should be greater clarity of consequences for both good and bad performance. Appraisal and pay decisions should be made, as now, by the civil service leadership then ratified by the Prime Minister. Thought might also be given to whether some elements of appraisal outcomes could be made public – for instance, the names of those in the top 25% (Box 1) might be released to create stronger positive incentives to perform well, and to counter the impression that the system has no consequences.
10. There should be greater openness about the reasons for permanent secretary departures and moves. A more rigorous and information-rich performance management system as described above should enable greater clarity – both within Whitehall and in public statements – about the reasons for change. Fixed-term appointments of permanent secretaries would provide an obvious moment – shortly before the end of the specified term – for a performance-based conversation about whether the individual should be renewed in post.

*Encouraging challenge and scrutiny*

11. Permanent secretaries should be more willing to request a ministerial direction where they have concerns. They should also have the opportunity to register reservations during the course of implementation if there are changes to funding, timelines or scope imposed by the political side. Greater support to register such concerns should be provided, both by the civil service leadership, and via external and public assessments by bodies like the NAO, PAC and Major Projects Authority (MPA).
12. There will always be a large degree of shared responsibility between ministers and officials for the success of policy implementation. For that reason, there should be a parliamentary review into whether the scrutiny and accountability process would be improved if the PAC was able to jointly question the secretary of state and permanent secretary when examining implementation issues.

The full details of our proposals for consideration, along with their underlying rationales, can be found in the final section of this report.

## Introduction

Accountability relationships at the top of government are inevitably complex, often deeply ambiguous and frequently contested. This complexity is a result of a several defining structural features of Whitehall, of which any accountability system must take account.

First is the dual nature of leadership. Each department has political leadership from its secretary of state and civil service leadership headed by the permanent secretary – constitutionally ‘permanent’ and there to serve the government of the day. This structure inherently obscures responsibilities, making it more difficult to know who can be held to account for what. According to the doctrine of ministerial responsibility, it is ministers who must answer publicly for the actions and performance of their entire department. But the complexity of contemporary government means that ministers are rarely held directly responsible for operational failings in their departments – or in the agencies through which their departments deliver their business.

Second is the way Whitehall as a whole is organised. The Civil Service is at once a single entity required to serve the government as a whole, and a federation of departments with distinctive cultures and interests, each answering to its own secretary of state. The departmental accountabilities are the strongest. Permanent secretaries know that their ability to be effective (as well as their security in post) lies largely in the hands of the secretary of state that they serve on a daily basis. In contrast, the accountabilities of permanent secretaries to the centre of government are relatively new and evolving. All permanent secretaries are formally line-managed by either the Cabinet Secretary or the Head of the Civil Service. Yet the Cabinet Secretary and the Head of the Civil Service are themselves in an ambiguous position – recognised as leaders of the Civil Service, yet lacking the strong levers over departmental heads that leaders in the private sector or other organisational settings hold.

Third is the relationship of Whitehall to Parliament. Government guidance (known as the Osmotherly Rules) makes plain that civil servants appear before select committees not in a personal capacity but as representatives of and under the instruction of their ministers. The exception is that permanent secretaries in their role as accounting officers are directly responsible to Parliament through the PAC for their management of public money. In that capacity, permanent secretaries can dissent from ministerial decisions and put their reservations on the record. The effect is to place all the responsibility for a decision onto the political side, and be formally absolved from accountability if the minister decides to proceed. In practice, this is a rare occurrence, meaning that permanent secretaries and ministers almost always present a united face to Parliament. This makes it difficult to disentangle their respective responsibilities.

These arrangements have been subject to significant criticism in recent months and particularly since the publication of the Government’s *Civil Service Reform Plan* in 2012. One central objective of the reform agenda is to strengthen the accountability of permanent secretaries, along with other senior officials. A number of high-profile operational problems – including errors in Department for Education documents detailing the cancellation of school building projects in 2010; the mishandling of the West Coast mainline franchise decision at

the Department for Transport in 2012; and difficulties in the implementation of the Universal Credit at Department of Work and Pensions – as well as perceived slow progress with the civil service reform agenda itself, have hardened the resolve of reformers in Whitehall and Westminster to press ahead with change.

One early reform, implemented soon after the formation of the Coalition in 2010, was the decision to appoint lead non-executive directors to departmental boards, with a remit that included the performance management of permanent secretaries. Another relevant change was the decision in 2011 to split the roles of Cabinet Secretary and Head of the Civil Service between two people following the 2011 retirement of Sir Gus (now Lord) O'Donnell, who wore both hats. But neither the Cabinet Secretary nor the Head of the Civil Service have been given additional powers to manage permanent secretaries equivalent to those held by their counterparts in other countries, for example, New Zealand.<sup>1</sup> Another recent reform, and one that was explicitly designed to sharpen permanent-secretary accountability, was the publication of personal performance objectives for permanent secretaries for the first time in 2012<sup>2</sup> – though, as discussed below, this initiative suffers from considerable weaknesses.

Underlying such reforms is discontent about how the relationship between secretaries of state and permanent secretaries functions. The Government has argued that ministers need stronger levers to hold their permanent secretaries to account and strengthened ministerial offices to ensure that departments follow and deliver ministerial priorities. Meanwhile, there is a lively debate about the accountability relationship between permanent secretaries and Parliament. The long-established accounting-officer system has continued to evolve, with the PAC personalising accountability by recalling permanent secretaries to account for decisions they made while in post, rather than following the convention that the current office holder answers for his or her predecessors. In addition, the *Civil Service Reform Plan* requires permanent secretaries to warn cabinet committees in advance of implementation risks with decisions and to provide assurance about the progress of major projects.<sup>3</sup>

Over the past 15 months, the Institute for Government has studied a number of these issues, publishing detailed studies of five specific aspects of the debate. In March 2013 we published *Supporting Ministers to Lead: Rethinking the ministerial private office*. We concluded that secretaries of state should have greater powers to appoint expert advisers into their offices to strengthen their capacity to lead their departments. Subsequently, in June 2013, in *Permanent secretary appointments and the role of ministers* – noting that a secretary of state already had huge, but non-transparent, influence over the appointment of their permanent secretary – we recommended that secretaries of state be made clearly

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<sup>1</sup> As discussed in Paun, A., & Harris, J., *Reforming civil service accountability: Lessons from New Zealand and Australia*, Institute for Government, London, November 2012. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/reforming-civil-service-accountability>

<sup>2</sup> Cabinet Office, (20 December 2012), 'Corporate report: Permanent secretaries objectives published for the first time', Gov.UK website. Retrieved 4 December 2013 from <https://www.gov.uk/government/publications/permanent-secretaries-objectives-published-for-the-first-time>

<sup>3</sup> HM Government, *The Civil Service Reform Plan*, p. 20, June 2012. Retrieved 4 December 2013 from <http://www.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf>

responsible for making final appointment decisions from a merit-based shortlist. More recently, in September 2013, we published a suite of three research papers, on: *the accounting officer system, the accountability of civil servants to Parliament, and the statutory basis of the civil service*. In many of these publications we drew on international lessons. In addition, in November 2012, we published a standalone study of the New Zealand and Australian civil services and their accountability arrangements.<sup>4</sup>

In this paper we draw together our central findings from across these themes and go further. We develop an overall analysis of how, and how well, permanent secretaries are held to account for their performance, and how the relationship between permanent secretaries and their political masters should be structured. As part of this, we discuss the additional issue of how permanent secretaries are performance managed, drawing on the Institute's *Whitehall Monitor 2013* report, as well as new research conducted for this paper.

The Institute for Government is interested in effective government, so our test is not whether accountability arrangements conform to a particular constitutional conception of the role of the Civil Service, but whether they provide effective leadership in Whitehall.

## The roles and responsibilities of permanent secretaries

The job of permanent secretary is complex and multi-faceted. The functions can be categorised in different ways, but for the purposes of this paper we suggest that there are seven distinct functions that permanent secretaries are expected to fulfil – or at least to ensure that their department fulfils.

First is the classic role as 'principal policy adviser' to the secretary of state. The policy advice part of the role is often said to be less important than it once was, since governments are now able to access policy advice and ideas from a wider range of other sources – such as special advisers, think tanks, consultancies, better-resourced political-party policy units, and more extensive international links.

The role of principal policy adviser has never required permanent secretaries to be experts in the policy area in question. Rather the requisite expertise lies in ensuring the department can synthesise the relevant evidence and technocratic advice from elsewhere, develop a thorough understanding of ministerial objectives, and assess the political as well as technical and financial feasibility of any potential policy decisions. This part of the role also assumes that the post-holder (or a trusted member of their senior team) will be able to guide their minister through the complexities of getting their way in Whitehall and deal with problems when things go awry. These functions remain a core part of the job of permanent secretary.

The second role, which has become an area of greater focus in recent years, involves securing the implementation of ministerial policy priorities – what we might call the permanent secretary's 'policy implementer' role. The shift in focus from policy to

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<sup>4</sup> All publications mentioned in this paragraph can be found at: Institute for Government, 'Accountability in central government', project homepage at: <http://www.instituteforgovernment.org.uk/our-work/parliament-and-political-process/accountability-central-government>

implementation is part of a broader international trend.<sup>5</sup> It reflects the growth in alternative sources of policy thinking, and the increasing concern among politicians about the effectiveness and costs of policy. Successful implementation of policies and projects makes or breaks many ministerial careers. The central requirement of most secretaries of state is that their permanent secretary manages the department to deliver policy objectives effectively and efficiently. The focus on delivery can sometimes come into tension with the broader expectation that permanent secretaries (and other senior officials) will offer robust advice to ministers about their policy plans – as well as suggesting alternative ways to achieve the Government’s ultimate objectives.

The third role is as ‘manager of the day-to-day business’ of the department. While the implementer role above emphasises the permanent secretary’s involvement in leading change, here the emphasis is on management and continuous improvement of current policies, personnel and systems. As we argued in *Financial leadership for government*, extracting best performance from the day to day business suffers from relative neglect as a priority for departmental leaders in Whitehall in comparison with their counterparts in the private sector or delivery focussed organisations.<sup>6</sup> Yet the importance of this role is made much more acute at a time when both departments and their deliverers are downsizing and programme budgets are being cut substantially.

For permanent secretaries, the day-to-day management role may mean direct management oversight of operations, or management through networks of complex devolved relationships or market contracts. But even where much of the business management role is performed outside Whitehall – by executive agencies, other public bodies or private sector contractors – the permanent secretary remains responsible for guaranteeing that effective arrangements are in place to ensure that the network of bodies deliver the required results, as we previously discussed in a study of departmental relationships with arm’s-length bodies (ALBs).<sup>7</sup>

Fourth, each permanent secretary bears responsibility for the ‘financial control and propriety of spending’ within their department. This role is entrenched in the accounting-officer system, through which permanent secretaries are directly accountable to Parliament for verifying that spending has been carried out in line with Treasury guidance. As accounting officer, a permanent secretary has the right to express a formal objection to a ministerial decision if they feel the decision would lead to money being spent in a way that breaches the criteria of regularity and propriety. This is the core of the system dating back a century. More recently, the accounting-officer system has been extended so that permanent secretaries can also register objections with ministerial decisions on the grounds of value for money (since 1995) and feasibility (since 2011). Accounting-officer responsibilities have now also

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<sup>5</sup> As discussed in Rhodes, R.A.W., Wanna, J., & Weller, P., *Comparing Westminster*, Oxford University Press 2009, for instance at p. 170; and Page, E.C., & Wright, V., *From the Active to the Enabling State: The changing role of top officials in European nations*, Palgrave Macmillan, 2007, for instance at pp. 230-231.

<sup>6</sup> McCrae, J., & Bouchal, P., *Financial leadership for government*, Institute for Government, April 2013, for instance at pp.16-19. Retrieved 4 December from <http://www.instituteforgovernment.org.uk/publications/financial-leadership-government-0>

<sup>7</sup> Rutter, J., Malley, R., Noonan, A., & Knighton, W., *It takes two: How to create effective relationships between government and arm’s-length bodies*, Institute for Government, March 2012, p.43. Retrieved 4 December from <http://www.instituteforgovernment.org.uk/publications/it-takes-two>

been extended to include proactive sign-off of implementation plans and cabinet papers.<sup>8</sup> These developments expand the accounting-officer system to cover aspects of the implementation and adviser roles discussed above. The accounting-officer role is the only aspect of permanent secretaries' responsibilities that has a (limited) statutory underpinning, and is discussed in the Institute's recent paper on the subject, *Following the pound*.<sup>9</sup>

Fifth, permanent secretaries have an important role as 'guardians of propriety' and of the rules and conventions of how government should operate. For instance, they must enforce the Civil Service Code within their department, and respond to complaints from civil servants who feel the Code is being breached. They play a role in advising on the conduct of special advisers, though ultimate responsibility for special advisers rests on the political side. And they play an important role in advising ministers on issues such as potential conflict of interest between ministerial and private or constituency matters.<sup>10</sup>

In a coalition context, the permanent secretary has an additional important function ensuring that policy emanating from the department is properly 'coalitionised'. This means making sure the party that does not hold the post of secretary of state has been properly consulted, and that there is genuine bipartisan agreement before a policy is announced or proceeded with. This aspect of the propriety function is not codified anywhere, though the Institute for Government has previously recommended that permanent secretaries should be explicitly held "responsible for ensuring that appropriate cross-party consultation is carried out on policy announcements from their department",<sup>11</sup> which requires ensuring that sufficient support is provided to the second party within the department.

While the five functions above are fairly widely-accepted to be part of the permanent secretary's job, there are two additional functions that are currently much less developed.

Sixth is that the permanent secretary's role as departmental leader should not extend only to effective delivery of current government policy. Permanent secretaries are also responsible for the broader capability and organisational health of their department, in what can be described as the role of 'departmental steward'. As departmental steward, the permanent secretary should ensure that the department is kept in a fit state to deal with future and longer-term policy challenges, for instance by maintaining sufficient research and foresight capacity. The permanent secretary must ensure that the department is able to serve effectively a future minister or administration with different objectives. The permanent secretary must also stand prepared to manage the transition to a new government if and when that occurs.

These stewardship functions are relatively unformalised and under-supported. In other Westminster jurisdictions – New Zealand, Australia and Canada – there is an active agenda

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<sup>8</sup> This proposal was set out in the *Civil Service Reform Plan*, and is reflected in the latest edition of HM Treasury, *Managing public money*, July 2013, p.21.

<sup>9</sup> Harris, J., *Following the pound: Accounting officers in central government*, Institute for Government, September 2013. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/following-pound>

<sup>10</sup> This aspect of the role is set out in Cabinet Office, *Ministerial Code*, May 2010 edition, sections 6 and 7.

<sup>11</sup> Paun, A., *United we stand? Coalition government in the UK*, Institute for Government, 2010, p.7.

of seeking to entrench the stewardship role into the job specification of departmental heads, including by means of legislation.<sup>12</sup>

Seventh, as well as being organisational leader of a department, each permanent secretary is part of the 'collective leadership of the Civil Service' as a whole. The departmental structure of Whitehall means that the corporate-leadership role of permanent secretaries is relatively weak. As a recent Institute for Government paper, *Civil service reform: One year on*, argued, "The fundamental structure of the Civil Service is federal, with strong ministerial departments, significant delegation of powers and a comparatively weak centre."<sup>13</sup>

The present Government, like its predecessor, is committed to building a more 'unified' Civil Service in various respects, for instance through stronger service-wide management of corporate functions.<sup>14</sup> What this will mean for the accountability of permanent secretaries remains somewhat unclear, however. Corporate civil service reform objectives have also been embedded into personal objectives for permanent secretaries, as discussed below.

## Assessing accountability arrangements

Accountability refers to the requirement to give an account for one's performance, decisions or actions to some other body or individual, which in turn has the ability to act upon that information –whether by imposing sanctions/rewards or simply by processing and reporting on information received.<sup>15</sup> Effective accountability helps to assure that those charged with carrying out certain tasks do so in a considered and responsible manner. The accountability process should also enable lessons to be learnt from past performance, by building on successes and avoiding repeated failings.

So how are permanent secretaries held to account for their performance across their diverse set of roles? The answer is that there is no single system by which this occurs. This does not mean that there is no accountability at all for permanent secretaries, rather that there is a fragmented and partial set of arrangements that scrutinise and appraise permanent secretaries to varying extents for the different aspects of their job.

Before we explore in depth how the various accountability systems function, we must first address the prior question of what an effective accountability system would look like. This

<sup>12</sup> See for instance, Paun, A., & Harris, J., *Reforming civil service accountability: Lessons from New Zealand and Australia*, Institute for Government, London, November 2012. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/reforming-civil-service-accountability>; and Harris, J., *Legislating for a civil service*, Institute for Government, September 2013. Retrieved 4 December from <http://www.instituteforgovernment.org.uk/publications/legislating-civil-service>

<sup>13</sup> Thomas, P., Kidson, M., & Wright, W. *Civil service reform: One year on*, Institute for Government, July 2013, p.11. Retrieved 4 December from <http://www.instituteforgovernment.org.uk/publications/civil-service-reform-one-year>

<sup>14</sup> As discussed in McCrae, J., & Randall, J. *Leading functions across Whitehall*, Institute for Government, November 2013. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/leading-functions-across-whitehall>

<sup>15</sup> In this, we draw on the work of Richard Mulgan, who has argued that "the original or core sense of accountability" implies three key features: that it is "external", with an account given by one body or person to another; that it involves "social interaction and exchange" between the two sides; and that there are implied "rights of authority", with the holder to account able to demand answers and impose sanctions. Source: Mulgan, R. 'Accountability: An ever-expanding concept?', *Public Administration*, Vol. 78, No.3, 2000, p.555.



will enable us to identify gaps and weaknesses in the current accountability arrangements. A previous Institute for Government study of how Whitehall manages arm's-length bodies, *Read before burning*, set out a fourfold typology of characteristics of effective accountability for ALBs, namely: clarity of accountability; sufficiency of control; clarity of consequences; and sufficiency of information.<sup>16</sup>

Despite the different context, the concepts expressed in that framework are broadly transferable and relevant to the present discussion. Indeed, many of our interviewees and seminar participants identified very similar themes as crucial pillars of a well-functioning accountability regime for departmental leaders in Whitehall. We therefore propose to adapt the Institute's existing typology to judge accountability arrangements for permanent secretaries against the following four criteria.

**1. Clarity of accountability:** *The person accountable must know what he or she is accountable for, and to whom he or she is accountable and these accountabilities must be documented and publicly available.*

As far as permanent secretaries are concerned, key tests are whether there is sufficient *transparency* about what permanent secretaries are personally accountable for, whether there is *consistency* over time, and whether accountability systems are *comprehensive* in terms of covering the full range of permanent secretary roles. In addition, a particular challenge is to reduce ambiguity in the *division between ministerial and permanent secretary responsibilities* – while recognising that there can never be a clear-cut distinction, and there will always be a large degree of joint responsibility between political and administrative leaders of a department.

Reducing 'fuzziness' in this area was identified by one senior official as a key test for any reform.

**2. Sufficiency of control:** *The person accountable must have sufficient control over the outcomes for which he or she is held responsible.*

In our interviews this came out as an important concern in designing systems to hold senior officials to account. The key test is *alignment* of accountability mechanisms with what permanent secretaries can actually control or deliver themselves. Permanent secretaries should not be held responsible for factors out of their control – such as complex economic and social trends over which government policy has limited effect – or for policy or delivery failings when key decisions were taken by ministers.

**3. Sufficiency of information:** *There must be enough information available to judge whether responsibilities have been performed.*

The third criterion for effective accountability is that systems and processes, set up to appraise and scrutinise permanent secretaries, are informed by *high quality management and performance information*. This is an area where Whitehall has developed in recent years, with all permanent secretaries assessed against a range of performance indicators,

<sup>16</sup> Gash, T., Magee, I., Rutter, J & Smith, N. *Read before burning: How to increase the effectiveness and accountability of quangos*, Institute for Government, 2010, p.37. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/read-burning>

and implementation of projects now monitored by the MPA. But there remains room for improvement. A further test is that the accountability regime does not generate negative *unintended consequences* in other areas, for instance because information gathered and used for assessment distorts behaviour towards certain tasks at the expense of activities that are less easy to measure.

**4. Clarity of consequences:** *The person accountable must be made aware of the likely consequences that will result from carrying out responsibilities at above or below defined levels (and consequences should be proportionate).*

If an accountability system for permanent secretaries is to be effective, there must be a *clear link between individual performance and the consequences that follow*, in order to create incentive structures that drive performance in the right direction. For permanent secretaries, meaningful consequences could include performance pay, impact on career trajectory and job security, and softer effects such as a (positive or negative) impact on reputation and status. A prerequisite of effectiveness on this dimension is that there is *sufficient capacity* among those holding permanent secretaries to account as well as *clear responsibility* for that task. An effective system would also include mechanisms that *support permanent secretaries to improve* and develop in their roles.

## Secretaries of state and the role of permanent secretaries

A central complication in designing an effective accountability system is that while one can identify the core roles of permanent secretaries, the actual nature of the job can vary significantly in response to the personal style and preferences of each secretary of state. Under the constitutional doctrine of ministerial responsibility, government departments have no independent status of their own as distinct from that of their secretary of state. Westminster statute almost always delegates power to ‘the secretary of state’ rather than named departments, and, as the constitutional theorist DN Chester wrote in 1953 “a ministerial department *is* a minister of the Crown to whom powers have been given”.<sup>17</sup> One important consequence is that any given secretary of state has a high degree of autonomy to define their own role within the department, and the permanent secretary is required to adapt their own role accordingly.

There are a wide variety of personal styles among secretaries of state. Francis Maude has publicly argued that “good ministers want bright knowledgeable officials who will give the most brutally candid advice”.<sup>18</sup> But some officials find that certain ministers are less willing than others to have a relationship with their permanent secretary based on the latter providing robust challenge in their role as principal policy adviser. The overall trend in recent years is of growing pressure on permanent secretaries and other senior officials to focus on delivery at the expense of the traditional advice role. This trend could certainly be observed under the previous Labour government (and also in many other countries, as noted above) but is considered – in some departments at least – to have accelerated under the Coalition.

<sup>17</sup> Cited in Finer, S.E., ‘The individual responsibility of ministers’, *Public Administration*, Vol.34, Issue 4, 1956, p.377.

<sup>18</sup> Francis Maude, ‘Ministers and mandarins: speaking truth unto power’, speech delivered on 4 June 2013 at Policy Exchange, London, available on Gov.UK website. Retrieved 4 December 2013 from <https://www.gov.uk/government/speeches/ministers-and-mandarins-speaking-truth-onto-power>

There is also an explicit intention to appoint permanent secretaries with a broader range of professional experience, moving away from the traditional dominance of those with a policy background. According to the Government's assessment published in December 2012, of 15 permanent secretaries leading the "main delivery departments", just four had "high levels of operational and commercial experience prior to their appointment as a permanent secretary". The stated desire is to "move towards a position where there is a more equal balance" between permanent secretaries with operational and policy backgrounds: a clear signal that the Government wishes to develop a different kind of departmental leader.<sup>19</sup>

The emphasis on permanent secretaries' implementation role at the expense of their advice function in part reflects the fact that in many key public service departments, the incoming secretary of state entered office in 2010 with a very clear idea of the specific policies and reforms they wished to see implemented. They therefore looked to their permanent secretaries to focus predominantly on delivering these reforms as quickly as possible. The NHS Reform Plan, free schools programme, Universal Credit, and police and crime commissioners are all policies the Conservatives brought into government close to fully formed.

When ministers express their objectives in terms of specific structural reforms rather than higher-level improvements in public services or social outcomes, there is less room for civil servants to advise on alternative policy options to achieve the same goals. Sir John Elvidge recently made this point when considering what he perceived to be the poorer state of ministerial-civil service relations in Whitehall than in Scotland. Highlighting the Scottish practice whereby governments set objectives at the level of 'national outcomes' he argued that this:

...leaves space for constructive dialogue between ministers and civil servants (and special advisers) about how progress can most effectively be made towards the outcomes, building a sense of shared endeavour and providing scope for civil servants to deploy their professionalism and knowledge in a way which builds trust.<sup>20</sup>

A former senior Whitehall official also spoke of this issue, noting that when permanent secretaries push back and say "hold on minister, here is a better way to achieve your objective", this can be perceived as obstructionism from the political side.

In the early days of a new administration this is already a risk, since without established relationships ministers do not necessarily trust that their officials are on their side. Ministers may also perceive that parts of Whitehall have been captured by the previous administration, not in a party-political sense but in terms of sharing a mindset and frame of thinking about particular policy issues – and sometimes there may be truth in this perception. Civil servants can therefore feel constrained in how far they can challenge policy plans, since the early imperative is to build up a good working relationship with their ministers rather than speaking

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<sup>19</sup> Cabinet Office, 'Permanent Secretary operational and commercial experience', December 2012, Gov.UK website. Retrieved 4 December 2013 from [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/79994/Operational\\_and\\_commercial\\_experience.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/79994/Operational_and_commercial_experience.pdf)

<sup>20</sup> Elvidge, J. 'Written evidence submitted to the Public Administration Committee (PASC) inquiry into "The Future of the Civil Service"', December 2012, Parliament UK website. Retrieved 4 December 2013 from <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpublicadm/74/74we09.htm>

truth to power. This is when officials are at the lowest point of the “candour curve”, as one civil servant described this in a previous Institute for Government report, *Transforming Whitehall departments*.<sup>21</sup> And yet, it is in the early period of government when major decisions are often taken about large-scale public service reforms, making this period of vital importance for the effectiveness of government over the subsequent years.

In his study for the Institute for Government of the controversial Health and Social Care Act 2012, *Never Again?*, Nick Timmins reports how the Department of Health prioritised the building of trust with their new secretary of state at the expense of offering challenge on the policy plans. He reports one official recollecting that the department was “absolutely determined to give him [Lansley] what he wanted, whatever it was. Everybody was in that mood”.<sup>22</sup>

As far as permanent secretaries are concerned, carrying out the policy-adviser role effectively requires the ability to move swiftly up the candour curve. The secretary of state bears some responsibility for enabling this to happen. In a pamphlet published by the Institute for Government in 2012, former Cabinet Minister, James Purnell advises new secretaries of state to swiftly

...establish the rules of how you want to work together – with the expectation that your permanent secretary will let you know early when things are going wrong [and] to make a pact to agree publicly and disagree privately.<sup>23</sup>

Other accountability mechanisms must also encourage and support permanent secretaries to challenge poorly-conceived policy, which the Cabinet Office’s Head of Civil Service Reform has described as “the duty of every civil servant”.<sup>24</sup> Below we discuss the limited extent to which either the performance-management relationship with the Head of the Civil Service, or the accounting-officer framework, provide sufficient incentives to do this. In terms of our framework for effective accountability, it would appear that there is a lack of ‘clarity of consequences’ for poor performance in the policy adviser role.

There are also ministers who are less content than others to accept the traditional division between policy and delivery – with the latter left to the civil servants under the permanent secretary. Some secretaries of state have been notable in attempting to take a more hands-on role in running the department themselves, involving themselves in both the ‘manager of day-to-day business’ and ‘implementer of change’ roles. A classic example is Lord (Michael) Heseltine, whose ministerial style was discussed in detail in the Institute for Government’s 2011 report *The challenge of being a minister*. As Secretary of State for the Environment in the 1980s, Lord Heseltine took on a role more akin to that of a corporate chief executive

<sup>21</sup> Page, J., Pearson, J., Jurgit, B., & Kidson, M. *Transforming Whitehall departments*, Institute for Government, November 2012, p29. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/transforming-whitehall-departments-0>

<sup>22</sup> Timmins, N. *Never Again? The story of the Health and Social Care Act 2012*, King’s Fund/Institute for Government, July 2012, p.54. Retrieved 4 December 2013 from <http://www.kingsfund.org.uk/publications/never-again>

<sup>23</sup> Purnell, J., & Lewis, L. *Leading a government department: the first 100 days*, Institute for Government/Boston Consulting Group, 2012, pp. 9-10.

<sup>24</sup> Chambers, J., ‘Kerswell: Civil servants have a duty to challenge poor ideas’, Civil Service World website, January 2013. Retrieved 4 December 2013 from <http://www.civilserviceworld.com/exclusive-kerswell-civil-servants-have-a-duty-to-challenge-poor-ideas/>

officer (CEO). He set about reforming the department's management structures and systems for collecting management information. In his words: "I totally rejected the convention that ministers decide on policy and officials execute and administer."<sup>25</sup>

While this has historically been an unusual approach, there appear to be examples of the minister-CEO in the current government. As reported in *Transforming Whitehall departments*, "the current Defence Secretary, Philip Hammond has taken a very personal interest in the reform of the department and has worked closely with leaders on transforming defence".<sup>26</sup>

We were also told of a department where, post 2010, officials were surprised to encounter ministerial intervention in internal staffing decisions. This was in contrast with Labour predecessors who had "subscribed to the basic principle that they set political priorities, and left the permanent secretary to make it happen". But more than one interviewee emphasised that this tended to be a matter of personalities rather than party politics.

The above discussion illustrates how the leadership role of permanent secretary can change depending on the style of the secretary of state. In terms of our accountability framework, this can undermine permanent secretaries' 'sufficiency of control' across their various roles – including as policy adviser, policy implementer and departmental manager. Only the permanent secretary's function as controller of spending, which is entrenched in the accounting-officer system discussed in detail below, appears exempt from ministerial encroachment. This is one reason why adding additional accounting-officer responsibilities is often seen as a good way of strengthening functions such as project management. Other than this, there is a risk that aspects of the permanent secretary role that do not directly contribute to short-term ministerial priorities might be squeezed out, particularly at times of tensions between political and administrative leaders.

A key question in any redesign of accountability mechanisms in Whitehall is, therefore, whether there should be limits on the ability of secretaries of state to intervene in certain of the permanent secretary roles (creating greater 'clarity of accountability'), as other countries seek to establish through legislation – or whether stronger centrally-led performance-management arrangements could create an effective counterbalance to the natural focus of ministers on the relative short term.

## Are permanent secretaries accountable to their ministers?

It is a fundamental feature of UK government that for any permanent secretary the relationship with their secretary of state is the crucial one that overshadows all else. Not only is the nature of the permanent secretary role partly determined by ministerial preferences, as discussed, but so too is the permanent secretary's ability to carry out (and retain) their job dependent on ministerial approval and trust.

<sup>25</sup> Riddell, P., Gruhn, Z., & Carolan, L. *The Challenge of being a minister: Defining and developing ministerial effectiveness*, Institute for Government (2011), p.23.

<sup>26</sup> Page, J., Pearson, J., Jurgait, B., & Kidson, M. *Transforming Whitehall departments*, Institute for Government, November 2012, p31. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/transforming-whitehall-departments-0>

The ability of secretaries of state to dismiss their permanent secretaries is not formally admitted or codified, but it is generally recognised that a determined secretary of state is usually able to force the departure of their permanent secretary – though this is rarely a quick or smooth process. This sometimes gives rise to concerns about politicisation, yet many people see it as unavoidable that a secretary of state will ultimately prevail if determined to force a change. Furthermore, it is generally not seen as conducive to effective departmental leadership to force a secretary of state to continue working with a permanent secretary when their relationship has broken down.

Even in systems where there is an attempt to formalise contractual terms and processes for appointment and dismissal, such as New Zealand's, departmental heads remain vulnerable to losing their jobs when they lose ministerial backing. This happened in December 2012 to the chief executive of the Education Department in Wellington, following controversy over a number of policy and implementation issues.<sup>27</sup>

That is not to say that it is a welcome development when permanent secretaries find themselves pushed out by their secretaries of state. Changes at the top of departments are disruptive, dissipate institutional memory and should therefore be seen as a last resort – including by ministers, who benefit from stable leadership on the civil service side. When there are a large number of failing relationships between permanent secretaries and their ministers in a short period of time, this also points to deeper problems in what Lord Hennessy has described as the troubled “governing marriage” of British government.<sup>28</sup>

And there do appear to be difficulties in that relationship at present. Tensions between secretaries of state and permanent secretaries are known to be part of the reason for the relatively high turnover at the top of the Civil Service under the current Government. In the three years after the 2010 election, there were a total of 21 changes among departmental permanent secretaries (not counting other permanent-secretary grade posts).<sup>29</sup> Many of these were retirements or promotions of officials who had served for several years, some of whom had been asked by the Cabinet Secretary to stay on to oversee the transition to a new government.<sup>30</sup> But a number of permanent secretary departures – including some only appointed after 2010 – are widely believed to be due to ministers having fallen out with, or lost trust in, their permanent secretary.

One perspective on these developments is that ministers have been overbearing and unreasonable, and that their tendency to interfere in departmental business represents

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<sup>27</sup> Shuttleworth, K., ‘Secretary of Education Lesley Longstone resigns’, *The New Zealand Herald*, 19 December 2012. Retrieved 4 December 2013 from [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=10855074](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10855074)

<sup>28</sup> Lord Hennessy of Nympsfield, Oral Evidence to Public Administration Committee, 8 January 2013, Parliament UK website. Retrieved 4 December 2013 from <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpublicadm/74/130108.htm>

<sup>29</sup> As reported in Paun, A., Harris, J., & Magee, I. *Permanent secretary appointments and the role of ministers*, Institute for Government (June 2013), p.19. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/permanent-secretary-appointments-and-role-ministers>

<sup>30</sup> For instance, Sir Hugh Taylor is reported to have been asked to oversee the transition in Timmins, N. *Never Again? The story of the Health and Social Care Act 2012*, King's Fund/Institute for Government, July 2012, p.53. Retrieved 4 December 2013 from <http://www.kingsfund.org.uk/publications/never-again>

dangerous steps towards politicisation. For instance, we were told by one senior civil servant, “There’s an awareness in Whitehall that a number of permanent secretaries have been moved on, because ministers didn’t take to them for whatever reason. There’s a feeling that maybe it wasn’t totally objective, it wasn’t necessarily based on a fair appraisal.”

An alternative point of view is that ministers have encountered obstructionism from their officials, that Whitehall has been too slow or uncommitted to driving through ministerial priorities, and that the democratic mandate of the Government entitles ministers to make changes at the top of their departments to overcome such problems. This is the view of Cabinet Office Minister, Francis Maude, who has publicly claimed, “Ministers from this Government, and in previous ones, have too often found that decisions they have made do not then get implemented. There are cases where permanent secretaries have blocked agreed government policy from going ahead or advised other officials not to implement ministerial decisions. That is unacceptable.”<sup>31</sup>

This perception has fed the determination of Francis Maude and his allies to create new tools to control the Civil Service, for instance through extended ministerial offices and a stronger ministerial role in permanent secretary appointments, which we discuss below.

As far as accountability relationships are concerned, a permanent secretary’s relationship with their secretary of state is thus perhaps the only one with the clear and hard-edged potential consequence of losing one’s job should things go wrong.

However, the problem is that there is a lack of clarity about the criteria and performance information which ministers use to judge their permanent secretaries. As the preceding section illustrated, permanent secretaries may also lack adequate ‘sufficiency of control’ over important aspects of their job, if their secretary of state chooses to play more of a role as departmental manager themselves. This then feeds the perception that permanent secretaries are being forced out on the basis of arbitrary ministerial whim.

But at the same time, the ‘clarity of consequences’ in this accountability relationship is undermined by the fact that even a poorly-performing permanent secretary usually has their exit eased by a sizeable monetary pay-off, a ‘managed move’ to another permanent-secretary-level position,<sup>32</sup> or in some cases a peerage or other senior public sector job. The lack of clear transparent process can also lead to broken relationships staggering on until a suitable vacancy arises elsewhere for the permanent secretary to be moved into. The present system seems to satisfy no-one that both effective accountability and due process are being served.

Given that broken relationships at the top of government departments are a recipe for dysfunction, it would be sensible not only to create processes for responding to relationship

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<sup>31</sup> ‘Civil servants blocking government policy “unacceptable” – Maude’, BBC News online, 2 October 2012. Retrieved 4 December 2013 from <http://www.bbc.co.uk/news/uk-politics-19797736>

<sup>32</sup> As a previous Institute for Government paper reported, no less than a third of permanent secretary appointments since 2010 were made through managed moves, with no formal competition and with little transparency. Not all of these will have been because of relationship breakdowns with their ministers, however. See Paun, A., Harris J., & Magee, I. *Permanent secretary appointments and the role of ministers*, Institute for Government (June 2013), p.19. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/permanent-secretary-appointments-and-role-ministers>

breakdown, but also to put more effort into making relationships between secretaries of state and permanent secretaries work in the first place, and to intervene earlier when problems start to emerge. In New Zealand, the State Services Commissioner – employer and manager of departmental secretaries – sees this as part of his job. In Whitehall, it is for the civil service leaders to play this kind of mediation role. They should be responsible for making sure that there are no systemic problems in relations between official and political leaders, and for taking action when relationships are under strain.

## Strengthening ministers: Will the government's planned reforms help?

As far as the Government's reform agenda is concerned, there are two proposals in particular that could have a significant effect on the relationship between secretaries of state and their permanent secretaries. These include allowing secretaries of state to appoint their permanent secretaries, and to form 'extended ministerial offices' with additional policy advisers brought in to strengthen the secretary of state's ability to lead their department.

The Institute for Government has already explored these two issues and made recommendations for change. On the appointments issue, our central proposal – based on detailed research into how appointments are currently made in Whitehall – was to make the secretary of state formally and transparently responsible for making final appointment decisions from a shortlist drawn up as now following a merit-based process run on the basis of Civil Service Commission guidance.<sup>33</sup> Permanent secretaries appointed through this process would continue to be bound by the Civil Service Code, requiring them to act with impartiality and objectivity. This would not be a backdoor to politicisation.

Such a reform, which is similar to what Cabinet Office Minister Francis Maude, has advocated,<sup>34</sup> could help create more stable relationships, since having had to take the appointment decision in the first place, a secretary of state will be less likely to criticise their appointee or seek their replacement further down the line. Receiving explicit ministerial backing could also strengthen a permanent secretary's willingness and authority to challenge the minister where appropriate since, as we have discussed, trust is essential to moving up the candour curve and performing effectively in the principal policy-adviser role.

One central concern with this reform is that it might lead to each new secretary of state making a point of replacing their permanent secretary to bring in their own preferred candidate. This could undermine permanent secretaries' incentives to focus on the longer term. However, as noted above, a determined secretary of state can already force the departure of their top official, but in practice few seek to do this immediately on taking office. Instead they value the knowledge and authority of the established departmental head seeing them as well placed to drive forward the ministerial agenda. We see little reason why this would change.

To ensure that this proposed reform helps to clarify accountability, it is also important when a permanent secretary is appointed, that there is transparent agreement about their role,

<sup>33</sup> Ibid., p. 7.

<sup>34</sup> Francis Maude, Oral Evidence to the House of Lords Constitution Committee, *The Accountability of Civil Servants*, 18 July 2012, Q.340.



responsibilities and personal objectives between all relevant parties – the secretary of state, permanent secretary and Head of the Civil Service, in particular. Permanent secretaries should be appointed to fill a particular job and held to account for performance against their objectives as initially agreed (subject to revision over time, particularly at the point of a change of minister). By taking on a more formal and transparent role in the appointment process the secretary of state would also be accountable for their decision. For instance, if a minister decided not to offer the position to the top-ranked choice on the shortlist presented to them, they could be asked to justify this. On both sides of this relationship, one important and positive effect of appointments reform (if implemented properly) could be to provide greater ‘clarity of accountability’.

The Government’s second big proposal for strengthening secretaries of state in their capacity to lead effectively within their department is through the creation of significantly larger private offices. This idea was not in the original *Civil Service Reform Plan*, but it was one of the issues explored in the work on international models of civil service accountability commissioned from the Institute for Public Policy Research (IPPR) by the Cabinet Office, which reported in June 2013.<sup>35</sup>

The Institute for Government had previously set out its own findings and proposals for reform of ministerial private offices.<sup>36</sup> Informed by these two pieces of work, the Government announced that it would “provide for ministers in charge of departments the ability to appoint an ‘extended ministerial office’”. It was further stated that members of the office “would be personally appointed by the minister and be directly accountable to them” and that the office “could provide a number of functions including support for policy formulation, implementation, media handling, and responding to correspondence, as well as the traditional private-office function.”<sup>37</sup>

Subsequent guidance set out the rules by which outside experts could be brought into the ministerial office for up to five years, subject to the approval of the permanent secretary and (for those at director level and above) Civil Service Commission.<sup>38</sup>

Our own research, as well as that of the IPPR, confirms that compared with many international counterparts, British secretaries of state are under-supported by their personal offices. The Whitehall model is of small, junior and non-expert private offices, who act as an interface with the rest of the department but offer little expert advice themselves. Ministers

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<sup>35</sup> IPPR, *Accountability and responsiveness in the senior civil service*, IPPR website, 17 Jun 2013. Retrieved 4 December 2013 from <http://www.ippr.org/publication/55/10915/accountability-and-responsiveness-in-the-senior-civil-service>

<sup>36</sup> Paun, A., *Supporting ministers to Lead: Rethinking the ministerial private office*, Institute for Government, March 2013. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/supporting-ministers-lead>

<sup>37</sup> HM Government, *Civil Service Reform Plan: One year on report*, Gov.UK website, July 2013, p. 31. Retrieved 4 December 2013 from [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/211506/CSR\\_OYO\\_LOW\\_RES\\_PDF.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211506/CSR_OYO_LOW_RES_PDF.pdf)

<sup>38</sup> Civil Service Commission, *Exception Relating to Extended Ministerial Offices*, Civil Service Commission website, 24 October 2013. Retrieved 4 December 2013 from <http://civilservicecommission.independent.gov.uk/wp-content/uploads/2013/10/EMO-Exception-24-Oct.pdf>

have also had limited ability to bring in expert advisers from outside government to work with them on particular initiatives.

We concluded that secretaries of state should be able to create a larger private office with a small number of expert advisers appointed directly by the minister. However, these advisers must pass through a competence-based assessment and remain bound by normal civil service rules requiring political impartiality.

A stronger ministerial office could help strengthen the accountability line between permanent secretary and secretary of state, by providing the latter with better-quality performance information about how well the department is being managed and how effectively it is delivering the minister's objectives. Access to additional external expertise can also allow the minister to develop strategy and policy objectives that the permanent secretary would then be responsible for delivering. In some departments secretaries of state have already taken the initiative to merge private office and strategy functions (in one case with performance oversight also integrated) to ensure clear alignment between their priorities as a minister and what the department prioritises.<sup>39</sup>

But the test of the new extended ministerial offices should be whether they help to improve the functioning of the combined leadership of the department by secretary of state and permanent secretary. This reform should not be implemented in a way that entrenches a division between minister and permanent secretary. In early December, further guidance on extended ministerial offices was published. This contains helpful detail about how and when such offices will be set up, but there remains ambiguity about they will fit into the wider departmental structure, and who will be responsible for the functioning and performance of the office.<sup>40</sup>

Trust, mutual respect and good faith between secretary of state and permanent secretary will remain the most important ingredients in ensuring that a department is well led. Permanent secretaries should support ministers to strengthen their own personal resource within the department, while secretaries of state should not seek to build a rival base from which to undermine the permanent secretary's responsibility for managing the department. A secretary of state has the right to expect sufficient resource to be provided to support their leadership role. And a fundamental performance indicator for any permanent secretary is whether their minister is satisfied with the responsiveness and efficiency of the service their department provides. Yet at the same time, the minister should recognise that there is a core of the permanent-secretary role that stretches beyond the short-term requirements of delivering current policy objectives. They should respect and support the permanent secretary in this. A crucial question for the reform agenda is how the design of accountability systems can be used to support this.

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<sup>39</sup> Kidson, M., *Organising policy making: A discussion paper on emerging trends*, Institute for Government, October 2013, pp. 5-6. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/organising-policy-making>

<sup>40</sup> HM Government, *Extended Ministerial Offices – Guidance for Departments*. Retrieved 4 December 2013 from [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/261358/November\\_-\\_EMO\\_Guidance\\_to\\_Departments.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/261358/November_-_EMO_Guidance_to_Departments.pdf)

## A role beyond serving the minister?

At the core of the permanent secretary role lie the long-established accounting-officer responsibilities that all permanent secretaries carry for their department, discussed in the Institute for Government paper on the accounting-officer system.<sup>41</sup> As long ago as 1866 the Exchequer and Audit Act established a legal requirement for departments to produce appropriation accounts and to nominate a single responsible official to oversee this function. By 1872 the convention had emerged that the permanent head of the department should carry this responsibility. This core underpinning of how Whitehall manages public money – buttressed by strong Treasury oversight and parliamentary scrutiny through the PAC – remains intact.

The accounting-officer system is widely regarded as an indispensable element of good government in the UK. At an Institute for Government seminar on the subject in spring 2013, current and former accounting officers emphasised this point, one describing the accounting-officer role as “a fundamental pillar of government”. The strength of the system is that there is a single point of accountability for every single item of government expenditure. In their capacity as accounting officers, permanent secretaries must assure themselves – as well as Parliament and the Treasury – that departmental spending decisions meet four tests: regularity, propriety, value for money, and feasibility.

If they decide the expenditure does not meet one or more of these tests, the permanent secretary is entitled to request a ‘formal direction’ from the minister which instructs them to proceed in spite of the failure to meet the tests. The existence of such a direction is then published, and responsibility for the expenditure is shifted firmly onto ministerial shoulders. Regularity and propriety relate to the more technical role of ensuring that departmental expenditure is in line with the authorisation granted by Parliament. However, the newer grounds of value for money (introduced in the 1990s) and feasibility (introduced in 2011 after problems with the tax credits system, and not yet used in anger) provide the permanent secretary with important levers to challenge ministerial policy decisions they feel represent poor use of public money. Ministers do appear to respect and value the accounting-officer function of permanent secretaries. One former permanent secretary reported occasions when their minister had explicitly asked them to “speak to me as accounting officer”.

However, formal directions are quite rare. There were 37 directions in the 13 years of Labour rule up to 2010. A number of these (14 of the 37 were in 2009 or early 2010) came shortly before the 2010 election when a change of administration was expected and a recession was being tackled through costly government initiatives. So far there have been no directions at all in three and a half years under the Coalition,<sup>42</sup> even on major public service and welfare reforms where there are serious implementation concerns, as indicated by poor progress ratings given by the MPA.<sup>43</sup>

<sup>41</sup> Harris, J., *Following the pound: Accounting officers in central government*, Institute for Government, September 2013. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/following-pound>

<sup>42</sup> *Ibid*, p. 16.

<sup>43</sup> In July 2013, the Major Projects Authority Annual Report gave a red or amber/red rating to 31 of 191 major projects across Whitehall. Reported in Stephen, J., Bouchal, P., & Freeguard, G. *Whitehall*

Of course, the raw numbers only tell part of the story. We were told that there are frequent discussions of potential direction requests, leading to ministers' changing or tweaking their policies to ensure that they have their permanent secretary's backing. One former permanent secretary told us: "I did say on not a completely trivial number of occasions, 'If you were to persist in going down this route, Secretary of State, I could get to a point where I might have to seek a direction from you'." In the event, it was felt, this had the necessary "galvanising effect" on the minister, who then adapted the policy decision to ensure it met the concerns of the permanent secretary.

The fifth of our seven permanent secretary functions is thus fairly well entrenched. There is little challenge to the system, and indeed the Government is keen to add additional functions onto the accounting-officer framework, specifically by "requiring explicit accounting-officer sign off of implementation plans, major gateway reviews and Cabinet Committee papers."<sup>44</sup> These processes, as well as the new grounds of "feasibility" for potential directions, ought to provide permanent secretaries with additional levers to push back against unwise policy initiatives, and could counter some of the trends described above.

In reference to our criteria of good accountability arrangements, this system does provide clarity as to what the permanent secretary is responsible for and clarity over when – by virtue of asking for a direction – a permanent secretary has passed responsibility for a particular spending decision back to their minister. There is also an implicit 'sufficiency of control' test, in that by signing off on a spending decision, the permanent secretary is indicating that the resources of the department are sufficient to deliver the policy in question.

It is also clear who is responsible for holding permanent secretaries to account: the Public Accounts Committee. The PAC has the resources and expertise of the NAO behind it in playing this role. Having this public scrutiny provides clear incentives to permanent secretaries to get to the root of any mismanagement within their department. As one senior leader put it, the prospect of appearing before the PAC provides a strong impetus for permanent secretaries to dig into what was going on within their department to a greater extent than they otherwise would have done, adding to the effectiveness of their leadership.

The system is effective at ensuring that rules are followed – as expressed in the regularity and propriety tests – but what may be lacking is sufficient focus on the value for money and feasibility of policies. This is perhaps due to insufficient management information, the quality of which Francis Maude recently described as "shockingly bad".<sup>45</sup>

The complete absence of directions since 2010 raises the question of whether permanent secretaries feel sufficiently emboldened to question ministerial judgements where appropriate. This may be because of a lack of clarity of consequences relating to permanent secretaries' performance in this area. While the potential risk of public embarrassment does

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*Monitor No. 37: Progress on major projects*, Institute for Government, August 2013. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/our-work/whitehall-monitor/outputs/major-projects/major-projects-authority-2013>

<sup>44</sup> HM Government, *The Civil Service Reform Plan*, p. 20, June 2012. Retrieved 4 December 2013 from <http://www.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf>

<sup>45</sup> A comment made at an Institute for Government/Conservative Home fringe event at Conservative Party Autumn Conference, 1 October 2013.

provide an incentive to permanent secretaries to think carefully before signing off poorly-conceived policy ideas, this appears to be counteracted by the greater risk of damaging one's relationship with the secretary of state by registering disagreement.

Permanent secretaries (and other accounting officers) clearly take their accounting-officer responsibilities seriously and prepare thoroughly before appearing before MPs. A poor departmental record in financial procedures or management of a major project can lead to an uncomfortable period of questioning and a degree of public embarrassment. But rarely has this led directly to a permanent secretary losing their job. Indeed permanent secretaries have been censured by select committees for mismanagement before being moved into better jobs. As noted above, when permanent secretaries are dismissed (or moved quietly into another post) it is usually because they have fallen out with their secretary of state rather than because of specific performance issues. Even when a permanent secretary does leave under a cloud of departmental mismanagement, it is the broken relationship with the secretary of state – which may have been caused or exacerbated by departmental problems – that is the catalyst for dismissal.

The PAC does appear to have grown in assertiveness and confidence under its present chair. This was illustrated by its recent strong public criticism of the Department for Work and Pensions permanent secretary over apparently-serious problems with the management of the Universal Credit Programme. This may yet contribute to a change at the top of the department, though even here it is likely that change will only occur if the political leadership makes a concerted push for it.<sup>46</sup>

Permanent secretaries are also held to account by the Treasury for their department's management of public money. However, as the Institute for Government argued in *Financial leadership for government*, the Treasury is principally concerned with ensuring that departments live within agreed spending totals, and that spending complies with the rules (regularity and propriety) rather than focusing permanent secretaries on more effective ways to use public money to achieve government objectives (value for money). In contrast to the finance departments of large companies, this study concluded, the Treasury “plays little role in supporting the Head of the Civil Service” in his role of performance managing most permanent secretaries (discussed below). This reflects “the Treasury view that the performance of departments is a matter for departments themselves”.<sup>47</sup>

What the accounting-officer role does not do, or appear to do, is give the permanent secretary scope to challenge a ministerial request because of its impact on the wider functioning of the department – for example where a policy change would divert resources and jeopardise the delivery of day-to-day business of the department.

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<sup>46</sup> Public Accounts Committee, *Universal Credit: early progress*, Parliament UK website, November 2013. Retrieved 4 December 2013 from <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubacc/619/61902.htm>

<sup>47</sup> McCrae & Bouchal, *Financial leadership for government*, p. 18.

## Extending personal accountability below the level of permanent secretary

There is also debate about whether to extend the logic of the accounting officer system to those in charge of major projects lower down in the department, as the recent report by IPPR recommended.<sup>48</sup> The *Civil Service Reform: One Year On* report has committed the Government to strengthening the accountability of senior responsible officers (SROs) of major projects to Parliament. As the Institute for Government recently discussed in *Civil service accountability to Parliament*,<sup>49</sup> the Government plans to revise the Osmotherly Rules – Whitehall’s guidelines on civil servants’ dealings with select committees – to reflect “a more direct relationship between Parliament, permanent secretaries and SROs”. The outcome of this review is expected in late 2013.<sup>50</sup>

Colin Talbot, Professor of Government at the University of Manchester, has argued, “If properly carried through this would be a revolutionary step.”<sup>51</sup> Yet the precise terms of how this “more direct” relationship with Parliament will function in practice are unclear. There are questions about what SRO accountability to Parliament would mean for permanent secretaries in their capacity as accounting officers – including for expenditure on major projects.

One senior official put it to us that creating a separate line of accountability of SRO to Parliament would risk undermining the accounting-officer system. There are ways to sharpen accountability arrangements for specific projects which involve putting management of those projects at arm’s length from the department proper. Indeed, this may be desirable for certain projects. The London 2012 Olympics and Paralympics were delivered by a specifically-established executive non-departmental public body (NDPB) – the Olympic Delivery Authority (ODA). This had clear responsibility for building the venues and infrastructure and a specified budget for doing so.<sup>52</sup> But even in this case, as for other ALBs, the permanent secretary of the parent department (the Department for Culture, Media and Sport) retained overall responsibility as principal accounting officer. Meanwhile, the relevant ministers remained ultimately answerable to Parliament and the public for the success of the Games under the doctrine of ministerial responsibility.

Most projects will not be on a scale that justifies the creation of a specific NDPB to manage their implementation and will remain even more clearly integrated into the department, and therefore under the direct oversight of the permanent secretary. Creating a ‘more direct’ relationship between Parliament and SROs could simply mean establishing the expectation that select committees will, by default, have automatic access to SROs for questioning in oral evidence sessions – rather than leaving ultimate discretion on this to the department as

<sup>48</sup> IPPR, *Accountability and responsiveness in the senior civil service*, pp. 119-120.

<sup>49</sup> Paun, A., & Barlow, P., *Civil Service Accountability to Parliament*, Institute for Government, September 2013. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/civil-service-accountability-parliament>

<sup>50</sup> HM Government, *The Civil Service Reform Plan: One Year On Report*, p. 31.

<sup>51</sup> Colin Talbot, ‘Ministers and Mandarins: Time for Change?’, *Whitehall Watch*, 17 June 2013, at: <http://blog.policy.manchester.ac.uk/whitehallwatch/2013/06/ministers-and-mandarins-time-for-change/>

<sup>52</sup> Norris, E., Rutter, J., & Medland, J., *Making the Games: What government can learn from London 2012*, Institute for Government, January 2013, pp. 34-37. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/making-games>

at present. This seems sensible but might have a limited impact in practice. One senior official commented to us that most ‘sensible’ permanent secretaries would take along whoever was responsible for the matter in question.

More important then, from the perspective of government effectiveness, is to ensure that there is effective management of SROs within Whitehall itself. This includes effective performance management of SROs by permanent secretaries, who are responsible for the department’s management overall, informed by the scrutiny and oversight of the MPA.

### What space for the stewardship and propriety functions?

In addition to the proper management of the department, its expenditure and implementation of ministerial decisions, each permanent secretary is responsible for the longer-term capability and performance of their department as an organisation. Permanent secretaries are responsible for building capability, managing talent and planning for longer-term issues that might stretch beyond the tenure of either minister or the permanent secretary themselves. The permanent secretary also has an important responsibility for managing the transition to a new minister or government. The risk in the current system is that these ‘departmental steward’ functions are not sufficiently supported by current accountability arrangements. One senior figure reflected that while there is a duty on the permanent secretary to take a medium to long-term perspective, ministers tend not to be very interested in this, and without political cover it is difficult to devote much effort to this function.

It is natural that ministers’ focus will tend to be on the relative short term and on departmental matters, at the expense of cross-cutting or whole-of-government concerns. All the incentives for ministers push them towards concentrating on successful policy implementation over a two-to-three-year (or at best five-year) horizon. They therefore hold their permanent secretaries to account for performance on these matters – in an accountability relationship that is unsystematic, but with potentially severe consequences in the case of perceived poor performance.

As a recent Institute for Government paper on *Organising Policy Making* found, some departments report “a shift towards being more responsive to ministers and political priorities” which may have “left departments as overly-reactive and focused on a tight definition of priorities”. The risk over the longer term is “a diminished capacity for responding to sudden events and a dearth of new policy proposals to offer to future ministers who come into office with less of a clear vision of their own priorities”.<sup>53</sup> On the other hand, the Cabinet Secretary has recently established central machinery to co-ordinate cross-government horizon scanning, which could act as a potential counterweight to departmental short-termism.<sup>54</sup>

Other countries from the ‘Westminster family’ of political systems have also recognised that while the Civil Service must be responsive to the government of the day, this can undermine government’s capacity to focus on the longer term if left unchecked. In Australia, legislation

<sup>53</sup> Kidson, M., *Organising Policy Making*, p. 9.

<sup>54</sup> Chambers, J. ‘New structure to help plan for long term’, *Civil Service World*, 24 April 2013. Retrieved 4 December 2013 from <http://www.civilserviceworld.com/new-structure-built-to-help-government-plan-for-long-term/>

passed in 2013 (and discussed in recent Institute for Government publications<sup>55</sup>) defines one of three specified roles for departmental secretaries (alongside policy adviser and manager) as being a “leader, providing stewardship within the department and [in partnership with colleagues] across the whole of Government”. The legislation also specifies that one of the responsibilities of secretaries is to ensure that the department “has a strong strategic policy capability that can consider complex, whole-of-government issues”.<sup>56</sup>

Similarly in New Zealand, recent legislation places a stronger focus on the ‘stewardship’ responsibilities of departmental chief executives. This includes a new requirement to deliver free and frank advice to “successive governments” which was deliberately intended to focus chief executives on the medium to long term. The government’s strong performance management arrangements reinforce this, with the State Services Commissioner (who employs and manages all departmental heads) holding chief executives to account for their stewardship of the department. Canada also emphasises ‘stewardship’, which is one of the five values of the Public Service, though defined more broadly to include effective and efficient use of public resources and “considering the present and long-term effects that their [public servants’] actions have on people and the environment”.<sup>57</sup>

The UK’s own civil service values of impartiality, integrity, honesty and objectivity – also now rooted in legislation – do not include any reference to the longer-term responsibilities of permanent secretaries or other civil servants. A more important issue however, is whether permanent secretaries are encouraged to give sufficient priority to their stewardship role by the centrally-led performance-management system headed by the Cabinet Secretary and Head of the Civil Service. This system needs to counterbalance the departmental and ministerially-focused tendencies described above. Particularly on issues such as departmental capability and talent management, ministers are unlikely to be well placed to effectively hold permanent secretaries accountable. This must be the function of the civil service leadership, though any performance-management system must of course take close account of ministerial perspectives of permanent secretary effectiveness, and should cover all aspects of the permanent secretary job in an integrated fashion.

Similarly, the civil service leadership should hold permanent secretaries to account for their role as guardians of propriety within their department. The permanent secretary has an important role in raising a red flag in certain circumstances, for example if there is misuse of government resources for party political purposes (either by ministers or special advisers). It is important that the permanent secretaries are supported and incentivised to take this duty seriously even if it causes difficulties in their relationship with ministers. Similarly, there is a responsibility on the shoulders of permanent secretaries for ensuring that the processes of coalition decision making function properly. In particular, policy developed within the department should be developed in bipartisan fashion. This means the party that does not

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<sup>55</sup> See Harris, J., *Legislating for a civil service*; Paun, A., & Harris, J. *Reforming Civil Service Accountability*

<sup>56</sup> Public Service Amendment Act 2013, ‘Schedule 1—Amendment of the Public Service Act 1999’, Australian Government website, February 2013. Retrieved 4 December 2013 from <http://www.comlaw.gov.au/Details/C2013A00002>

<sup>57</sup> Treasury Board of Canada Secretariat (TBCS), *Values and Ethics Code for the public sector*, TBCS website. Retrieved 4 December 2013 from <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=25049&section=text#sec4d>



hold the post of secretary of state must be given proper time and resource to contribute to the decision-making process. The performance-management system for permanent secretaries should take into account assessments of how well the permanent secretary is delivering these functions.

## The performance management of permanent secretaries

The status of Cabinet Secretary and Head of the Civil Service in relation to permanent secretaries is somewhat ambiguous. Traditionally, the Cabinet Secretary and Head of the Civil Service have been seen as no more than ‘first amongst equals’ within the wider permanent secretary cadre, but it is now expected that there will be more of a formal management relationship between the civil service leaders and their colleagues.

Lord O’Donnell, both Cabinet Secretary and Head of the Civil Service from 2005-11, put significant effort into sharpening the performance-management system. In particular he developed a more rigorous data-driven model for the appraisal of permanent secretaries. Under his leadership, a dedicated unit of the Cabinet Office pulled together a range of performance metrics – including staff engagement data, progress with efficiency savings, sickness absence, and performance against policy targets such as public service agreements – into a ‘scorecard’ for each permanent secretary. This was used as the basis for regular appraisal meetings.

Today, the management responsibility for permanent secretaries is divided between the Cabinet Secretary and Head of the Civil Service, following the split of those two roles in 2011. When Lord O’Donnell filled both these posts, he managed all departmental heads across Whitehall among others. This made him the line manager of up to 36 people, which was recognised by some interviewees as an extremely tough task.<sup>58</sup>

Simply reducing and making the line-management burden more manageable was one important reason for splitting the responsibilities between the two civil service leaders. Lord O’Donnell recalls that being responsible for all permanent secretaries had its value, as it enabled him to gain insight into what was going on in all corners of Whitehall. Yet during the latter period of Lord O’Donnell’s term as Cabinet Secretary, the role of principal policy adviser to the Prime Minister was largely played by the Permanent Secretary of 10 Downing Street, Sir Jeremy Heywood, while Lord O’Donnell focused on civil service leadership. Sir Jeremy has now been promoted to Cabinet Secretary, and has continued to play the role of policy adviser and ‘fixer’ for the Prime Minister and Deputy Prime Minister. He also fulfils other cabinet-secretary responsibilities around propriety and facilitation of the machinery of cabinet government. Given the demands of these functions, another reason given for the 2011 split of roles is that the Cabinet Secretary would have limited time and capacity also to lead on civil service management issues – as Lord O’Donnell did – particularly at a time of significant change.

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<sup>58</sup> Public Administration Committee, *Leadership of change: new arrangements for the roles of the Head of the Civil Service and the Cabinet Secretary*, January 2012, para 76. Retrieved 4 December 2013 from

<http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpublicadm/1582/158208.htm>

The principle behind the division of line-management responsibilities is that the Head of the Civil Service line manages the heads of the big public-service delivery-focused departments, while the Cabinet Secretary manages the heads of internationally-focused departments and some other permanent-secretary grade posts with a cross-cutting remit. This leaves Sir Bob Kerslake, as Head of the Civil Service, with the heavier line-management burden. The overall split is outlined in the table below.

**Figure 1. Reporting lines of permanent secretaries<sup>59</sup>**

Cabinet Secretary	Head of the Civil Service
<b>Permanent secretaries – by department or post</b>	
Foreign and Commonwealth Office (FCO)	Department for Transport (DfT)
Department for International Development (DfID)	Ministry of Defence (MoD)
HM Treasury (HMT)	Department of Health (DH)
National Security Adviser (NSA)	Department for Business, Innovation and Skills (BIS)
European and Global Issues Secretariat (EGIS)	Department for Culture, Media and Sport (DCMS)
Treasury Solicitor's Department (TSol)	Department of Energy and Climate Change (DECC)
First Parliamentary Counsel combined with Cabinet Office	Department for Environment, Food and Rural Affairs (Defra)
Government Chief Scientist	Department for Education
Office for National Statistics (ONS)	Department for Work and Pensions (DWP)
Chair, Joint Intelligence Committee	HM Revenue and Customs (HMRC)
Crown Prosecution Service (CPS)	Home Office (HO)
	Ministry of Justice (MoJ)
	Northern Ireland Civil Service ( <i>dotted line</i> )
	Scottish Government
	Welsh Assembly Government (WAG)

This table does not show non-permanent secretary direct reports to the Cabinet Secretary and Head of the Civil Service.

## Appraisals and objectives for permanent secretaries

The current management and appraisal process for permanent secretaries involves the agreement and publication of individual performance objectives for senior leaders across Whitehall, including the Cabinet Secretary and the Head of the Civil Service. No such objectives have been published for other permanent-secretary grade officials. In the 2012/13 financial year, these objectives were divided for each permanent secretary into three main sections. 'Business delivery objectives' were largely derived from departmental business plans, and set out goals and milestones relating to the implementation of departmental

<sup>59</sup> Source: Public Administration Select Committee, *Leadership of change: new arrangements for the roles of the Head of the Civil Service and the Cabinet Secretary: Appendix 1: Letter from Sir Bob Kerslake to Mr Bernard Jenkin MP, Chair of PASC*, 15 December 2011. Updated on the basis of correspondence with the Cabinet Office in October-November 2013.

priorities. 'Corporate objectives', related to successful progress in areas linked to the government-wide *Civil Service Reform Plan*. And 'capability building' and 'people' objectives covered improvement in departmental capability, including staff engagement and management arrangements at the departmental level.

Alongside the objectives, there is a regular cycle of appraisal meetings between the two civil service leaders and their reportees. There is a light-touch mid-year review, but the key part of the process, we were told, is the annual review at the end of the financial year. For this process a small (five-person, though not all full time) team in the Cabinet Office pulls together a range of quantitative and qualitative performance data to help inform the performance discussion. This includes assessments from the Implementation Unit (on progress with priority policies); Infrastructure UK (on priority infrastructure projects); and the MPA, (on priority programmes). Measures on efficiency (including estates) and on financial performance from the Treasury are also included, as is qualitative feedback from the Civil Service Reform team, and the permanent secretary's own self-assessment. There is a separate 360-degree review process that focuses on permanent secretaries' leadership style.

Prior to the appraisal, the Cabinet Secretary and Head of the Civil Service speak to every secretary of state and lead non-executive director to discuss the performance of each permanent secretary in leading their department, in supporting the ministerial team, in delivering on ministerial objectives and so on. It is not a new development to seek ministerial input into the permanent secretary appraisal process. Lord O'Donnell recalls a mixed picture in terms of ministerial involvement, and sometimes had to be innovative in finding opportunities to ask secretaries of state about their permanent secretaries – for instance in the margins of Cabinet meetings. However, we were told by more than one interviewee that the involvement of ministers and lead non-executive directors has increased and become more systematic under the present civil service leadership.

Armed with all this data, annual appraisal meetings usually take place in April or May. Following this one-on-one discussion, a decision will be taken on the overall performance grade of each permanent secretary by the two civil service leaders, with input from the Permanent Secretary of the Treasury. Like all senior civil servants, permanent secretaries are placed into one of three 'box markings', with a target distribution of placing 25% in the top category (Box 1), 65% in the middle category (Box 2) and the remaining 10% in Box 3 – the lowest category. The box markings are then reviewed and signed off by the Permanent Secretary Remuneration Committee, subject to the final approval of the Prime Minister. There is a fairly limited degree of performance pay. Currently, only the top 10% receive a performance bonus of £17,500. In the pre-austerity era bonuses could go to as many as two-thirds of permanent secretaries. An additional performance-related element is that the 1% pot for salary increases (which has followed a three-year salary freeze) has been used primarily to increase the base salaries of some of those in Box 2, while those in Box 3 have seen a continued salary freeze in cash terms. No information about appraisal results is released publicly.

## An effective accountability mechanism?

The current performance management arrangements for permanent secretaries have certain positive features, but also some serious flaws. On the positive side, the system is fairly rigorous and systematic in its collection of data, and does ensure that there are regular points at which the views of the most important stakeholders on permanent-secretary performance can be canvassed and pulled together. In recent years, Whitehall has got better at creating good-quality data sources such as the Civil Service People Survey; headcount and efficiency savings data; and, more recently, the MPA's traffic-light ratings of major projects. These metrics permit departmental comparisons and tracking of progress over time, and provide an evidence base for the appraisal process between permanent secretaries and their line managers.

Lord O'Donnell recalled how the data collated by the Analysis and Insight Team enabled him to exercise leverage on his permanent secretaries. "If you treasure it, measure it" was the underlying principle, so he ensured that standardised data was collected across Whitehall on issues he was personally committed to improving, such as sickness absence rates and diversity at senior tiers of the service. He felt that when permanent secretaries knew that he, as their boss, had a strong interest in a particular metric they would take it seriously. This was borne out by a former permanent secretary who recalls being put under pressure by the Cabinet Secretary about higher than average sickness absence rates in their department.

Under the current Head of the Civil Service and Cabinet Secretary, we were told, the focus of the system has been purposefully rebalanced away from the departmental capability indicators that concerned Lord O'Donnell, towards assessing progress on implementation of policy – for instance through tracking progress against departmental business plans. As noted, feedback from the secretary of state and lead departmental non-executive director as well as updates from the Cabinet Office Implementation Unit, are important inputs in this process.

Keeping permanent secretaries focused on implementation is of course an important part of the system. But the risk is that the performance-management system reinforces, rather than complements, the pressure from ministers to prioritise short-term implementation objectives. This can lead to a reduced focus on other core aspects of the permanent-secretary job such as provision of advice to ministers, and their effectiveness as managers and stewards of their departments. This is linked to the weaknesses in Whitehall's approach to creating and using management information (MI) to drive continuous improvement in the business of government, as the Institute for Government argued in a 2012 report, *Improving decision making in Whitehall*. Specifically, the Institute found that there are three underlying problems: no clear responsibility for driving improvements in MI, low demand for MI from decision makers, and (underlying this) "the low priority that is afforded to the continuous improvement in value for money, relative to the formation of new policy".<sup>60</sup> Improving civil service MI is recognised as a priority by the Government itself, and the Institute will continue to monitor progress in this regard.

<sup>60</sup> McCrae, J., Stephen, J., Guermellou, T., & Mehta, R., *Improving decision making in Whitehall: Effective use of management information*, Institute for Government, May 2012, p. 23. Retrieved 4 December 2013 from <http://www.instituteforgovernment.org.uk/publications/improving-decision-making-whitehall>

A separate Institute for Government research and data analysis exercise, *Whitehall Monitor 2013*, assessed the quality of the 2012/13 set of performance objectives for permanent secretaries, and questioned the extent to which the system is rooted in hard-edged metrics and targets. This analysis reviewed the 292 objectives published for 16 permanent secretaries. It criticised the number of objectives that lacked any associated measures against which to judge success, or that failed to indicate a deadline or review point. Of course, not everything government does can be meaningfully measured. But a more important conclusion of this study was that performance objectives are “[not] yet locked into a properly functioning system of accountability. Departmental leaders, and those working under them, are not currently being held to account for their outputs using these cross-government frameworks.”<sup>61</sup> Research for the present paper also found that few people believe that the published objectives are the framework against which performance is judged in practice.

The current system is transparent, both internally – due to the standardised process that all permanent secretaries pass through – and also externally, since the publication of the objectives for the first time in December 2012. Publication led to greater scrutiny and rigour in drawing them up, according to one interviewee. By publishing these objectives, there is also the potential for outside bodies, such as select committees, to hold permanent secretaries to account for their performance. On the other hand, another official argued that making the objectives public had changed their nature in less helpful ways, since there was less willingness to be frank and open about areas of poor performance and weakness in a public document. “A set of public objectives is inevitably more bland than a set of private ones”, we were told. This underlines the importance of strong leadership, from the Head of the Civil Service and Cabinet Secretary in the performance-management system, to ensure that objectives are sufficiently sharp and specific.

We also heard that the public nature of these objectives had led to greater political interest in their drafting. We were told of close interest being paid by the Prime Minister, the Deputy Prime Minister, the Treasury, Francis Maude (as Minister for Civil Service Reform), as well as the civil service leaders themselves, and the secretary of state in the department. Each saw the objectives as ‘a direct lever’ by which they can influence permanent secretaries across government. That of course is a central purpose of such a system – to create a system that influences behaviour and focus in line with government priorities. On the face of it, the close interest of these key players might be taken as a sign that the system is succeeding. But the problem is that drafting by committee has not led to a well-focused set of objectives that align with overarching organisational goals.

The number of people with fingers in the pie also led to long delays, as drafts circulated, were edited, re-circulated and so on. One interviewee recollected that during the time it took for objectives to pass through the various veto points, events would have occurred that required changes, and a new cycle commenced. As noted, for the 2012/13 financial year, objectives were only finalised and published in December 2012 – two thirds of the way through the year the objectives related to – severely undermining their utility. At time of writing in November 2013, the follow-up objectives for 2013/14 are yet to be published. They

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<sup>61</sup> Stephen, J., Bouchal, P., & Bull, D. *Whitehall Monitor 2013*, Institute for Government, September 2013, p. 17.

are expected to be published in December 2013 – again eight months into the year to which they relate. With such delays in agreeing the objectives, the system is unsurprisingly seen as weak at providing clarity of accountability and delivering clear consequences for good or bad performance.

There also appears to be a lack of co-ordination between the various people and departments seeking to influence the content of the objectives. The Prime Minister has his own priorities – for instance around the growth agenda – that he has sought to insert into personal objectives; the Deputy Prime Minister has core issues such as social mobility; the Treasury focus is around managing budgets; and the Cabinet Office has sought to incorporate civil service reform objectives. These are in addition to the departmental priorities of the secretary of state. The unsurprising result has been a ‘Christmas tree’ effect, on which various parts of government hang their own baubles. One senior figure described the outcome as a “smorgasbord”.

Some also felt that the performance objectives, through the editing process, had drifted away from the core responsibilities of permanent secretaries themselves, instead incorporating targets that should really be seen as departmental objectives. The system, we were told, did not focus on the central question of what are “the eight things that only [the permanent secretary] will do”. In terms of the framework set out at the beginning, this is a failure of ‘sufficiency of control’. Without clear alignment between what individuals are held to account for and what they can control, accountability is blurred rather than sharpened. Indeed, what appears to be the case here, another interviewee admitted, is that the published objectives are not what drove behaviour. Instead permanent secretaries define their own real objectives, in large part in response to their secretary of state’s priorities, and get on with delivering those.

## Effective accountability requires effective leadership

The flaws in this system appear to reflect the fragmented nature of government leadership from the centre on both the political and official sides.

Civil service leadership as we have discussed is split between the Cabinet Secretary and Head of the Civil Service, with financial leadership a matter for the Treasury. The Cabinet Secretary role is focused on serving the Prime Minister and Deputy Prime Minister, and on helping to lead the Government and deliver their key priorities.

The Head of the Civil Service is the key figure in leading permanent secretaries in civil service reform and capability building. However questions have been asked about the strength of his position due to the part-time nature of the role, the apparent lack of proximity to the Prime Minister as source of political authority, and the relatively limited resources provided to support his function as manager of permanent secretaries in most of the big delivery departments.<sup>62</sup> There has been speculation in recent months that the Head of the

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<sup>62</sup> See for instance, Wright, O. ‘An uncivil end? PM’s frustrations could see Whitehall head ousted’, *The Independent*, 11 July 2013. Retrieved 4 December 2013 from <http://www.independent.co.uk/news/uk/politics/exclusive-an-uncivil-end-pms-frustrations-could-see-whitehall-head-ousted-8704057.html>

Civil Service will become a full-time role.<sup>63</sup> But such a change alone would not transform its ability to lead effectively across Whitehall – not without greater thought going into the core functions of this role, and the resources that need to be allocated in support.

One challenge is that the Head of the Civil Service role can find itself in conflict with deeply-rooted aspects of Whitehall culture – namely the strong departmental basis of its internal ‘constitution’ and the related sense that Whitehall is led collectively by the permanent secretary cadre as a whole. The recent Public Administration Select Committee inquiry into the future of the Civil Service laid bare how the very concept of leadership of the Civil Service is relatively new, and how expectations have shifted in recent years.

For instance, Sir Douglas Wass, Head of the Civil Service in the early 1980s (while also permanent secretary of the Treasury) felt that:

...the concept of the Civil Service needing leaders is not a valid concept. You need, obviously, a person in command of a department who has to decide how it is going to function, how it is going to discharge its responsibilities. But you may discharge that best by delegating and giving clear ideas of what sort of things you want and letting people get on with it.

His successor, Lord Armstrong had a slightly more positive view of the notion of civil service leadership, stating that in his time “people were looking for a sort of leadership. It was not the kind of leadership that a general gives his troops, but it was still a kind of moral leadership”.

Lord Butler, next in line, was stronger still, arguing that at times of major reform programmes – such as the Next Steps agenda that he oversaw – there was a greater need for central leadership, though “really what drove the Next Steps reforms through was above all, the knowledge that Margaret Thatcher was very strongly behind this”.<sup>64</sup>

As discussed above, the most recent cabinet secretaries and heads of the Civil Service appear to have taken more seriously the idea of playing a formal management role to drive the Civil Service, as a whole, in a particular direction. In playing this role they have required more systematic reporting mechanisms and dedicated units. We have discussed the appraisal system for permanent secretaries. But other important recent initiatives have supplemented the ability of civil service leaders to exercise leverage over permanent secretaries. Capability reviews were a very important mechanism by which the centre, led by the Cabinet Secretary himself, could hold departments and their senior management teams to account for the effectiveness of their strategy, leadership and delivery systems. Likewise the Prime Minister’s Delivery Unit was a powerful means to keep departments (or cross-departmental groups of officials) focused on centrally-set policy priorities, while the Strategy Unit could conduct analyses to inform cross-government policy initiatives. All this central

<sup>63</sup> See for instance, Parker, G., & Neville, S., ‘Cameron set to end experiment of part-time civil service head’, *Financial Times*, 5 August 2013. Retrieved 4 December 2013 from <http://www.ft.com/cms/s/0/82abbd08-facd-11e2-87b9-00144feabdc0.html#axzz2hzeXzPc9>

<sup>64</sup> Oral Evidence Session, Public Administration Committee, Parliament UK website, 1 November 2012. Retrieved 4 December 2013 from <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpublicadm/1582/11110102.htm>

machinery was abolished in 2010, although the present Government's Implementation Unit now plays an important role in chasing progress on departmental business plan milestones.

But as Lord Butler's statement above made plain, central civil service leadership can only be truly effective in driving cross-government priorities when they are doing so on behalf of, and with the backing of, the central political leadership. And here too, it can be argued, this government faces challenges. The Government is committed on paper to creating a more unified civil service whose various departmental transformation efforts are part of a wider and coherent Whitehall-wide programme of change. However, as the Institute for Government recently argued, patchy progress with civil service reform (admitted by the Government itself in its July 2013 *One year on* report) stems from the fact that "the Prime Minister, Deputy Prime Minister and Chancellor are not a visible part of the leadership of the corporate reform effort". This sends the signal to permanent secretaries that their collective leadership role is a relatively low priority, and as a result "serious attention and resource for corporate actions is often crowded out by more urgent and compelling departmental priorities".<sup>65</sup>

The UK government also lacks the kind of higher-level strategic policy framework which other management processes and personal objectives can be embedded into. These exist, or have existed, elsewhere, for example in Scotland, with its strategic outcomes framework; New Zealand, with its Better Public Services objectives; and even under New Labour, with its public service agreements. Nor does the Coalition Agreement provide this glue to the extent that the more comprehensive full-term coalition 'treaties' of Germany and the Netherlands do. All of this further contributes to short-term and departmental priorities predominating.

The accountability of permanent secretaries to the central civil service leadership is stated in the UK's *Cabinet Manual*, but in minimal terms. It states, "Permanent secretaries are responsible to the Cabinet Secretary or the Head of the Civil Service for the effective day-to-day management of the relevant department." There is no further mention of the office of Head of the Civil Service in the rest of the document. And the role of Cabinet Secretary is defined in terms of heading the cabinet secretariat, supporting the Prime Minister in organising the cabinet system, and involvement in post-election government formation.

In other governments (as the Institute discusses in *Legislating for a civil service*) the functions of civil service leaders in managing the system as a whole are often more clearly entrenched – including in legislation. This means that new governments or ministers cannot throw it all up in the air when they take office. The relevant statute in Canada establishes the role of the Head of the Public Service, though little further detail about the role is given.<sup>66</sup> In Australia, the Head of the Department of Prime Minister and Cabinet is mentioned in legislation in terms of his role in appointing other departmental heads, and there is also a leadership group of departmental heads who are required by law to "identify strategic priorities for the APS [Australian Public Service]", to "take responsibility for the stewardship of the APS" and to "work collaboratively and model leadership behaviours". New Zealand goes further still in establishing the State Services Commissioner as head of the service, and

<sup>65</sup> Thomas, Kidson & Wright, *Civil service reform: One year on*, p. 10.

<sup>66</sup> Government of Canada, *Public Service Employment Act 2003*, Justice Laws website, S.125-126. Retrieved from <http://laws-lois.justice.gc.ca/eng/acts/P-33.01/>



as employer and manager of all departmental heads.<sup>67</sup> There is also a contractual relationship between ministers and their departments, with clarity about what the department, and its chief executive, is expected to deliver within a specified budget.

The UK has so far taken only a minimal approach to statutory entrenchment of the Civil Service. As we argued in *Legislating for a civil service*, this is probably the right approach given that so many aspects of civil service organisation and accountability arrangements are contested and in flux.<sup>68</sup> In any case, within current constitutional arrangements, you cannot legislate away the unavoidable complexity in the relationship between permanent secretary and secretary of state, or between departments and the centre. There are radically different models out there – from politicised civil services to contractual relations between ministers and departments – but in the UK at present there is little desire for such high-level constitutional redesign.

## Improving the system

We have examined the various accountability relationships and mechanisms within which permanent secretaries operate. For most purposes it is the relationship with the secretary of state that carries most weight and that permanent secretaries respond to most readily. The relationship to Parliament is important and well entrenched, but narrow, covering only the accounting-officer responsibilities, and with limited consequences on the basis of performance.

The line-management relationship up to the Head of the Civil Service or Cabinet Secretary is based on a wide range of performance metrics and is now quite a formalised system. But here too, the system lacks real teeth, and fails to drive performance in the core functions of the permanent secretary job. Plenty of data is collected, but it is unclear that the corporate civil service leadership has a sufficient, evidence-based grasp of performance issues across Whitehall, or that clear consequences result once performance issues have been identified. The objective-setting and appraisal processes fail to drive the behaviour of permanent secretaries, who know their job security lies principally in the hands of ministers.

But while the relationship to the secretary of state does have potentially severe consequences should things go wrong, the problem is the lack of clarity about why certain permanent secretaries end up losing their jobs at the instigation of their secretaries of state. Sometimes, poor management and policy failure are the catalyst, but on other occasions it appears that personality clashes are the trigger. This may be inevitable – if the political and administrative heads of a department cannot work together, then the latter will almost always have to give way. But it does not make for a rigorous performance-based accountability culture in Whitehall.

In sum, we have a system with limited clarity of accountability for permanent secretaries beyond the accounting-officer role, which is well entrenched. There is little clarity of consequences for either good or bad performance, save for limited scope on performance pay, and the strong possibility that if as a permanent secretary you displease your minister wheels will start turning to move you on. But while avoiding this fate no doubt influences

<sup>67</sup> See Harris, *Legislating for a civil service*

<sup>68</sup> See Harris, *Legislating for a civil service*, p. 3.

permanent secretary behaviour, it is not based on clear criteria. And ministers surely lack the sufficiency of information to make accurate judgements about permanent-secretary performance. The effect can be to distort behaviour away from the long-term and the cross-departmental. The current performance-management system for permanent secretaries is based on plenty of performance data, but not enough management information to assess performance across the whole of the permanent secretary's job. Performance objectives are drawn up in haphazard fashion, with too little attention paid to the permanent secretary's sufficiency of control over the goals they are being tasked with. This leads to the system being ignored and having little impact on actual behaviour and performance.

## Directions for reform

As stated in the Institute for Government's recent briefing paper, *Ministers and mandarins*, "Secretaries of state and permanent secretaries have shared accountabilities and responsibilities. Neither one nor the other is generally to blame for projects that go wrong. Trying to separate them is an illusion since, having decided on a policy, ministers are rightly concerned about implementation since the two are inextricably linked." Consequently, effective relationships between ministers and their officials will always rest on trust and respect, more than codification.

There are therefore no simple solutions to any of these issues and no single, overall structural fix to the problem of how to hold permanent secretaries to account. But improvements in a number of specific areas could help to mitigate some of the weaknesses of current arrangements. We have previously proposed two reforms of relevance to the present debate, which also relate to the current civil service reform agenda.

### Supporting ministers to lead effectively

1. Secretaries of state should be given the responsibility to select their permanent secretary from a shortlist of appointable candidates prepared, as at present, through a merit-based process run by the Civil Service under Civil Service Commission rules. Being selected by the minister would strengthen the authority of a permanent secretary, and give him or her greater licence to challenge the secretary of state when necessary. In effect, a determined secretary of state can already select their permanent secretary. By formalising this power, the secretary of state would be publicly accountable for their selection decision, and having given their initial backing to one candidate, would face a disincentive to seek a change down the line. New permanent secretary appointments should also be made on a fixed-term basis, with clear objectives agreed and published up front.
2. Ministers should be entitled to appoint more expert advisers, including from outside Whitehall, into an expanded private office. This would give them greater capacity to ensure that the department is pursuing their priorities, and to monitor effective implementation of key policies. Extended ministerial offices should remain part of the departmental structure (not become a 'cabinet'), so they do not create alternative, competing power bases around the minister and permanent secretary. The test of extended ministerial offices will be whether they help to improve the functioning of the joint leadership of secretary of state and permanent secretary.

It is vital that there is transparency about these new arrangements to allay concerns about the appointment of cronies to important roles in Whitehall. The job descriptions and expertise of the appointed candidates for all extended-office roles should therefore be publicly available. The current practice, where expert advisers can be appointed with little or no public transparency, must end. The Institute will publish an assessment of the new extended ministerial office arrangements before the general election.

These changes on their own are not sufficient to sort out the current, muddled accountability arrangements at the top of Whitehall. In addition, we suggest that consideration be given to the following further possible reforms, which are all deliverable as modifications of our current system. Going further – for example to a more contractual relationship on the New Zealand model or towards more politicisation at the top of the Civil Service – would require a more fundamental re-examination of our current constitutional arrangements.

### Clarifying roles and responsibilities

3. Although there will never be a clear line of demarcation between ministerial and official responsibilities, we believe that relationships at the top of departments could be improved by developing greater consensus and shared expectations about each other's roles. Specifically, it should be possible to set out more clearly what the responsibilities of permanent secretaries are, using a framework similar to the seven roles of permanent secretaries that we set out above. This could be embedded in the *Cabinet Manual*, for instance.

The permanent secretary's role should explicitly include the stewardship role, with a longer-term responsibility for the health and capability of their department. This means that permanent secretaries must retain the long-term capability to offer policy advice, including horizon scanning and retaining the intellectual capacity to pursue policies for any potential secretary of state. The duty of permanent secretary, it should be remembered, is to support the office of secretary of state not just the present incumbent.

4. The above steps should be reinforced by a similar statement about the role of secretary of state. This should include reference to a secretary of state's responsibility to support their permanent secretary's duty to question the feasibility and value for money of ministerial proposals, in order to improve the effectiveness of policies at delivering on ministers' priorities. Ministers should likewise support their permanent secretary's duty to devote departmental resources to longer-term strategic thinking and preparations for a possible change of government at an election. This statement of ministerial responsibilities could be embedded in the *Ministerial Code*, which would create a potential for sanctions should a minister overstep the mark in how they seek to run their department.
5. In addition to these central statements, more specific department-level 'compacts' between ministers and the senior management team about respective roles and responsibilities could be developed, as was attempted in the Home Office in 2006-07. These documents would be agreements between ministers and officials, and could help to establish shared expectations about how the joint leadership of each department will function. The compacts could vary to some extent to reflect how different secretaries of

state conceive their role within the department. For instance, they could set out the nature of private office support the secretary of state desires from the department, and how involved he or she wants to be in performance-management processes, or the implementation of particular projects within the department. However, there would need to be a core of the permanent secretary role (covering the stewardship and propriety functions in particular) that would apply in all cases.

### More effective performance management – led from the centre

6. The civil service leadership should themselves be more clearly responsible for ensuring that permanent secretaries carry out all of their functions effectively. No matter how the civil service leadership is structured (for instance whether the roles of Cabinet Secretary and Head of the Civil Service are split, and whether they are full or part time), it is vital that the central leadership function has sufficient resource and political backing (from the Prime Minister in particular) to think beyond the current political cycle and across departmental boundaries, and to drive departmental leaders across Whitehall to do likewise even in the face of secretary-of-state indifference.
7. As part of the above, the civil service leadership must take responsibility (and be held accountable) for the process of setting performance objectives for permanent secretaries. The current system is flawed and must be improved. It is laughable for objectives to be published more than half-way through the financial year to which they apply, as has happened two years in a row. A further problem is that objectives are treated as a Christmas tree on which various central figures hang their priorities. As a result, the objectives grow to a long list that do not even cover the full range of permanent-secretary functions, and which are often ignored. A better system would see permanent secretaries commit to a short list of implementation priorities for the year or two ahead – agreed with their secretary of state – as well as a set of longer-term and ongoing objectives to do with management of day-to-day business, departmental stewardship and making a corporate contribution. These objectives should be agreed initially at the time of appointment, linked to the specific challenges faced by the department, and revised in light of events, ongoing performance and new ministerial priorities.
8. To support the central performance-management function, more effort should be made to improve the collection of management information across the full spectrum of permanent-secretary functions, and to enable assessment against the specific performance objectives agreed under the system proposed above. Non-executive directors on departmental boards should play a key role here, collecting relevant information at the departmental level and feeding this into the central performance appraisal system. In addition, scrutiny by the NAO and Public Accounts Committee – for example of implementation failings or failure to drive improvement and address service problems in ‘business as usual’ activity – should also feed transparently into the appraisal process.

### Clearer consequences for good and bad performance

9. There should be greater clarity of consequences for both good and bad performance. Appraisal and pay decisions should take account of ministerial (and non-executive director) opinions, as well as reports from the PAC and NAO. But these should be made, as now, by the civil service leadership then ratified by the Prime Minister. Thought might also be given as to whether some elements of appraisal outcomes should be made public – for instance, the names of those in the top 25% (Box 1) might be released to create stronger positive incentives to perform well, and to counter the view that the system has no consequences. A public element to the appraisal results would also enable external scrutiny of the management information used to rank permanent secretaries, driving improvement in this.
10. In addition, there should be greater openness about the reasons for permanent secretary departures and moves. Currently, it is almost entirely opaque as to whether objective performance issues lie behind changes at the top of Whitehall departments, or whether people are being moved on the basis of ministerial whim. This creates the perception that poor performers are sometimes promoted out of a job, but also that good performance is treated as irrelevant if a minister decides for personal reasons that they want to force a change.

We would argue that maintaining the confidence of the secretary of state is in practice a prerequisite for continuing in the role of permanent secretary, but losing that confidence should not on its own be treated as a performance failure. A more rigorous and information-rich performance management system as described above should enable greater clarity – both within Whitehall and in public statements – about the reasons for change. And if permanent secretaries were appointed on a fixed-term basis, as we recommend, then the end of the specified term would provide an obvious moment for a performance-based conversation about whether the individual should be renewed in post.

### Encouraging challenge and scrutiny

11. Permanent secretaries have to be prepared to challenge their ministers when advising on implementation and feasibility issues, and need more support in making those judgements. They should be more willing to request a ministerial direction where they have concerns, or else they stand jointly accountable with their minister if and when a policy project goes wrong. As accounting officer, the permanent secretary should also have the opportunity (and indeed the duty) to register reservations during the course of implementation of a policy or project if there are changes to funding, timelines or scope imposed by the political side.

Greater support to register such concerns should be provided, both via the civil service leadership, and via external and public assessments by bodies like the NAO, PAC and MPA. For instance, the MPA could publish a risk assessment of all major projects as the business case is being prepared. This would explicitly assess the inherent riskiness of a project, with reference to the historic performance of similar projects in the UK and abroad. If a project were graded as having ‘high inherent risk’, then the permanent

secretary would have to consider whether to ask for a direction, and the minister would have to consider whether the potential benefits justified the risks of the project.

12. Given there will always be a large degree of shared responsibility between ministers and officials for the success of policy implementation, it might make sense for the PAC to be able to jointly question the secretary of state and permanent secretary when examining implementation issues. This is a common practice for other select committees already and could help the PAC to get to the roots of problems more effectively. There should be a parliamentary review of whether such a reform would improve matters.

Government is a complex organisation seeking to accomplish complex tasks. Accountabilities are messy and contested, and there is no silver bullet to solve this. Nonetheless it must surely be possible to improve on the status quo.