

# *CIVIL SERVICE REFORM*

Seven crucial tests for the new reform plan

## Introduction

1. In March the Institute for Government (IfG) published an open letter setting out its view of the challenges on civil service reform<sup>1</sup>. We concluded that unless reforms are urgently introduced, there will be the risk of a downward spiral of cuts, inadequate services and a demoralised Civil Service.
2. Three months on, amidst a flurry of stories of rows, resignations and recriminations, the civil service reform plan is due to be published soon. What should we be looking for in the plan?
3. The Minister for the Cabinet Office, Francis Maude is rightly sceptical about the legacy of previous white papers on reform:  
  
"I do not think that another white paper...is the answer; the shelves of the library already groan with previous white papers... What is lacking is civil service reform, not white papers on civil service reform."<sup>2</sup>
4. We think there are seven key tests that will reveal whether the plan is a significant step towards a programme that will transform the Civil Service, or just another white paper style bubble that quickly bursts.

## What is reform for?

**Test 1: Is there a clear direction of travel for reforms that people understand and support?** The diagnosis of what needs to change must be convincing: setting out positive reasons to change alongside the large savings that have to be made. The outcomes of reform should be compelling. They should spell out what the Civil Service of the future will look like and what the new deal will be for civil servants.

5. Civil service reform is a means to an end – more often multiple ends. A comparative analysis of public management reforms<sup>3</sup> looked at 12 countries and identified the following objectives of reform:
  - making savings
  - improving service quality
  - making government operations more efficient
  - increasing the chances that policies which are chosen and implemented will be effective.
6. The research also identified some common intermediate objectives: strengthening the control of politicians over the bureaucracy; freeing public officials from bureaucratic restraints that inhibit their opportunities to manage; and enhancing the government's accountability to the legislature and citizenry for its policies.

7. So Francis Maude, Sir Jeremy Heywood and Sir Bob Kerlake need to set out what needs to change and why it needs to change. They must explain how change will improve the Civil Service and will benefit the public. They should offer a positive expression of what the future Civil Service is going to be like after 10 years of staff cutbacks, savings and changes to terms and conditions. The direction of travel they describe needs to be one that people understand and support.
8. Both political and civil service leaders need to address the fundamental issue of what are the enduring functions of the Civil Service. At a time of austerity what must the Civil Service do? What is better done elsewhere, or not at all? The majority of civil servants work outside London in delivery jobs. Will they remain civil servants? Or will they be part of new agencies or other bodies in the public, private or voluntary sectors?
9. Successful reform requires positive reasons to change beyond the immediate pressures of making large savings<sup>4</sup>. Why would someone join or stay in the Civil Service? Which skills and what experience will be valued and rewarded throughout civil servants' careers? What is the new deal?

## What should be in the plan?

**Test 2: Does the reform plan address the right strategic issues?** The plan should: establish a new priority on delivering value for money; address how to make policies better designed for implementation; build the capability, skills and knowledge that the Civil Service most needs; clarify accountability and responsibility in Whitehall and Westminster; establish a strategic and streamlined approach to how the Civil Service works with arms length bodies and others outside Whitehall.

10. Our open letter highlighted the crucial areas that we believe should be at the heart of the reform agenda<sup>5</sup>. These are the strategic and systemic issues that can only be tackled across the Civil Service. Ministers, senior civil servants, and non-executive directors have repeatedly identified these issues in the course of our work. They are not easy to tackle effectively.

## Strengthen the focus on value for money

11. Given the fiscal situation, the Civil Service urgently needs a new priority that focuses on delivering value for money across all departmental spending. Such a priority needs to start with permanent secretaries.
  - Performance assessments of permanent secretaries should cover how well departments are equipped to, and indeed succeeding in, raising value for money. These assessments themselves will need to be based on meaningful management information, benchmarking performance either with similar operations across the Civil Service or within the private sector.

12. But departments lack good systems for judging continuous improvement in value for money, making it difficult to hold senior leaders to account in this way<sup>6</sup>. A recurring issue raised across the Institute's work has been the degree to which the Civil Service is unable systematically to produce management information linking what it spends to where it generates value<sup>7</sup>.

- Finance directors general should be responsible for developing management information, which their permanent secretary can use to hold the departmental top team and arm's-length bodies to account for their performance.

### Design policies for implementation

13. Getting policy wrong, wasting money and effort and failing to make change happen cannot be afforded. Our research has found that both civil servants and ministers felt that policy making could be done better, despite some improvements over the preceding decade. Ministerial-civil service relations fell short of the open, honest and constructive attitudes both told us they wanted. Ministers felt civil servants too often lacked expertise and knowledge to help them; civil servants felt unable to challenge ministers<sup>8</sup>.

- Ministers are clearly accountable politically for decisions, but the Civil Service needs to take responsibility for the quality of the policy process. Designing policies that work needs to become a core civil service expertise, extending across a wide range of backgrounds, well beyond those who are part of the 'policy profession'.
- Civil servants must become expert at seeking out new ideas, collaborating with others, understanding potential impacts and turning policies from strategic concepts into measures that can be put into practice and work.
- Building on existing accounting officer responsibilities for 'value for money' and 'feasibility', permanent secretaries must also be prepared to challenge policies which do not have a sound enough basis for committing public or private resources.

### Raise capability and knowledge

14. Our open letter spelt out the key capabilities, knowledge and skills that the Civil Service requires: financial management and planning, commissioning including market making, quality policy making, system stewardship, collaboration across and beyond the Civil Service etc.

- Capability building should be a core aim of the Cabinet Office<sup>9</sup>. However, the Civil Service has found it hard to build the capability it needs. Our research exposes the root problem as the lack of vision, commitment and follow-through from the most senior leaders rather than the flaws of successive institutions and their programmes<sup>10</sup>.
- Engagement of staff is crucial to successful change. However one of the key factors that drives staff engagement 'leadership and managing change' received the second lowest rating in the Civil Service People Survey<sup>11</sup>. Sir Jeremy and Sir Bob should signal very clearly

that this theme will continue to be a key measure on which they judge and reward the effectiveness of senior leaders in departments.

- As more and more departments fundamentally change their operating models it is more important than ever to evaluate and learn from what works. At present, it is no one's job to acquire, hold and share this knowledge and these insights. This is the civil service equivalent of research and development: a long-term corporate investment in the growth of the value added by the Civil Service. This corporate investment will require quality support at the centre and strong backing from the new civil service leadership.

### Accountabilities in Whitehall and Westminster

15. Our research on departmental leadership concluded that the dual-track leadership of departments headed by both a secretary of state and permanent secretary often produces uncertainty about who leads on specific areas and where exactly responsibility lies for any given issue<sup>12</sup>. This is a difficult issue to address. But if Sir Jeremy and Sir Bob are to lead substantial reform of the Civil Service, they need to encourage and accept an open debate in the Civil Service and beyond finding workable solutions. The role of Parliament is crucial, but is, at present, a source of mutual frustration.

- There is an urgent need for discussion on the means, and style, of holding civil servants to account to prevent the relationship degenerating into a prickly, defensive and counter-productive stand-off.

### Rethink relationships beyond the Civil Service

16. The Civil Service has always worked with, and through, others to deliver the outcomes that the public wants. However, our research into arm's-length bodies (ALBs) and local and central government relations suggests that these relationships have too often been unproductive. On the one hand, micro-management has stifled the very freedom to innovate that decentralised bodies were set up to provide. On the other hand, there have been cases of inadequate oversight, leading to organisational drift and a lack of appropriate consequences for failure.<sup>13</sup>

- A far more streamlined and strategic approach is needed to how the Civil Service manages relationships with devolved administrations, local government, Europe and ALBs – to deliver outcomes for the public.
- For ALBs, this means much greater clarity on their freedom of decision-making and associated accountabilities. The governance arrangements for ALBs can be simplified – with governance controls and freedoms strictly tied to the function that the ALB performs. In addition to the planned triennial reviews of ALB performance, civil servants must be held to account for their ability to manage ALB relationships effectively.
- For relationships with local elected leaders, the Civil Service will need a similarly strategic approach. It is also vital that the Civil Service prepares for the possibility of substantial changes in the devolution settlement.

## The next spending review

**Test 3: Is work beginning now to identify cross departmental savings for the next spending review?** Civil service leaders need to mobilise work on potential cross-departmental savings now if they are to avoid hasty last minute cuts to programme and services.

17. One issue we raised in the open letter is unlikely to feature in the reform plan because it is a more immediate one off challenge: develop a different approach to the next spending review. However, it is probably a more important test for Sir Jeremy and Sir Bob than the whole of the reform plan.
18. A recent NAO report concluded that, while departments *"took effective action in 2010/11 to reduce costs...departments are less well placed to make the long-term changes needed"*<sup>14</sup>. We are also aware from our research that departments are still working largely in isolation of each other on savings options<sup>15</sup>. A different approach will be required next time round to have any realistic chance of rising to the challenge.
  - Identifying cross-departmental savings should be part of the preparations for the next spending review and work needs to begin now. This should cover not only programme and capital spending, but also administrative budgets and how departments can operate together more efficiently.
  - Rather than waiting for a formal Treasury process, civil service leaders should require departments to start working together because it is in their mutual interests. They need to be able to offer ministers the best possible options.
19. The politics of the next spending review will be difficult, in part because of the nature of coalition government, but also because the next round of savings will require some more tough decisions about the funding of services and programmes. There is not much left to be saved from 'easy' back office and administrative costs.
20. It is understandable that politicians find this difficult territory. However, if the new leadership of the Civil Service cannot create the conditions that allow work to start very soon on potential cross-civil-service savings, then the Civil Service will end up in the worse possible place of having to make hasty last minute cuts to programmes and services during the short, bilateral phase of the spending review itself.

## Making changes that last

**Test 4: Is it clear how reform intent will be converted into actions?** The plan needs to include some radical ideas which provide the fuel for reform. The model for developing and resourcing action needs to draw on the right lessons from past reforms.

21. At the Public Administration Select Committee recently Francis Maude reflected on the challenge of making change happen:

*"We know we can describe what it should feel like, look like, and how it should behave at the end of the process (but) getting there is really, really difficult."*<sup>16</sup>

22. The publication of the plan will allow us to judge how well he and senior leaders have set direction, and provide some clues to the ambition and determination that lies behind the plan. But will there be some compelling reform ideas that show how they plan to turn reform aspirations into action?

23. The authors of civil service reform plans and white papers are always under pressure from senior ministers and No 10 to produce 'crunchy' actions. Too often this results in a cross Whitehall trawl for actions that were planned anyway and which are duly slotted into a misleadingly specific set of actions. In the early stage of reform such 'crunchiness' is a fool's gold. It ignores the history of lasting reforms. Precise actions are less important than powerful ideas, signals and symbols that tell civil servants that there is direction, ambition and political support.

24. Our cases studies of previous civil service reforms demonstrate the importance of a sharp focus on a limited number of well resourced interventions. That is why Rayner Scrutinies, Next Steps Agencies, Public Service Agreements, the Prime Minister's Delivery Unit's drive for delivery, and Capability Reviews have had more impact in the last 20 years than more elegantly crafted strategies for reform<sup>17</sup>.

25. The Sunningdale Institute<sup>18</sup>, summarised the characteristics of a successful approach to creating systemic change in the Civil Service:

"it is unrealistic to expect rapid system-wide development of [reforms]...instead we recommend picking a small number of areas to act as trail blazers or beacons for the wider civil service...Top quality resources should be provided to support these beacon areas and progress monitored and encouraged by [the Civil Service Board] and a wider group of permanent secretaries..."

Once sufficient progress has been made in the beacon areas, the approach should be revised in the light of the experience to date...and rolled out more widely, led by a growing cadre of change agents steeped in the process of developing and deploying the [reforms]...<sup>19</sup>

26. A published plan offers few clues on the extent to which the right leadership is developing to create and implement lasting civil service reform. The crucial tests of leadership will only be answered fully over the coming months and years.

## The dual leadership of the Civil Service: Sir Bob and Sir Jeremy

**Test 5: Is the dual leadership of the Civil Service effective?** They need to visibly back each other and commit their personal capital to the job of corporate leadership of reform. Their actions will signal what they value and reward: who they involve in high visibility projects, and who they promote.

27. Sir Jeremy and Sir Bob's success as leaders should be measured by the progress they make on the strategic issues we identify. But how they lead is as important as the agenda. It matters more than whether the Cabinet Secretary/Head of the Civil Service role is one or two jobs, full-time or part-time. Sir Jeremy and Sir Bob have to set the pace and the tone quickly to demonstrate to senior leaders that they should themselves make a significant contribution to this corporate effort.

28. The recent briefing against Sir Bob reflects badly on the briefer but offers no insights into the leadership of reform. The Institute's view was summarised by IfG Director Peter Riddell:

*"Sir Bob and Sir Jeremy are indispensable to David Cameron. Sir Jeremy is the most powerful cabinet secretary in a generation... While Sir Bob's reflective style may be unusual in Whitehall, he has far more experience of running large organisations – from his nearly two decades as a local authority chief executive - than any permanent secretary... The pair represent the best hope for taking forward civil service reform. They now need to show a joint commitment to reform in detail if they are to mobilise their fellow permanent secretaries to show collective leadership."*<sup>20</sup>

## The politics of reform

**Test 6: Is there the right political support?** The Prime Minister and the Minister for the Cabinet Office need to set a clear direction and establish the right blend of permission, leadership and support with the Cabinet Secretary and Head of the Civil Service.

29. It is an unusual minister who takes a deep personal interest in civil service reform. Perhaps the last Prime Minister to do so was Edward Heath but he became distracted and reforms did not achieve all that was hoped<sup>21</sup>.

30. What is required from the Prime Minister and senior ministers is direction and support to the officials who must shape the ideas and actions for civil service reform<sup>22</sup>. This is illustrated by some key reforms associated by Thatcher and Blair. Each set the general direction for reform, trusted their senior officials to develop the ideas and became persuaded of the value of the reform ideas and actions - lending their personal authority to those leading the change<sup>23</sup>.

31. Thatcher was clear she wanted to tackle waste and inefficiency. That desire led to the creation of the Rayner Scrutinies and later the major reform of Next Steps Agencies. However she was initially sceptical of the proposals for scrutinies and did not micro manage their progress<sup>24</sup>. Blair expressed clear frustration in the failure to deliver and gave Michael Barber an 'instruction to deliver' – but he trusted Barber and Jeremy Heywood (then Blair's Principal Private Secretary) to develop the ideas and approach<sup>25</sup>. Despite his lack of interest in the mechanics of performance management he acted on the advice of his officials and devoted significant prime ministerial time to the crucial delivery stock-takes.
32. An interesting ingredient in today's reform alchemy is the strong personal interest and involvement of the Cabinet Office Minister in Civil Service reform. Previous Ministers for the Cabinet Office have tended to be short-lived bystanders to Civil Service reforms. The Minister needs to constructively engage and encourage Civil Service leaders by finding the right mix of providing direction, encouraging bold reform ideas, and avoiding micromanagement.

### Creating corporate, not central, leadership

**Test 7: Is a coalition of senior leaders committed to leading the plan?** Leaders, resources and talent from across the Civil Service should be used to develop and deliver actions on reform priorities.

33. The Civil Service needs corporate leadership. The fate of reform plans created solely by the Cabinet Office for the Cabinet Office is miserable. This plan and the programme of reform it supports will be more likely to succeed if it focuses on the issues of greatest concern to senior leaders of the transformations already under way in many of the biggest departments<sup>26</sup>. The group responsible for the strategic leadership of the Civil Service – the Civil Service Board – has already been reshaped by Sir Bob. Its members should be seen to be leading and implementing the Reform Plan.
34. But leadership is needed from beyond the Civil Service Board and permanent secretaries. The flagship leadership development and talent management programmes should be substantially involved in this work. Directors and director generals should see that they need to be active leaders of corporate action if they are to progress to the next level.
35. Institute for Government case studies on successful reforms show the need for a strong, credible team at the centre to support those leading reform<sup>27</sup>. However, it is as important to find talent from across the organisation, and to have access to the best of outside expertise and support if they are to develop and implement lasting reforms.
36. This generation of senior leaders in departments is demonstrably eager to make a corporate contribution to Civil Service Reform. But time and time again on corporate projects it proves impossible find even 2 or 3 good quality middle ranking staff who can work full time to support them in the corporate part of their job. It would be unacceptable if the new reforms

were to stall for the lack of the right resources. But we should watch closely as their presence or absence is a critical symbol that corporate leaders are serious about reform – or not.

## Endnotes

- <sup>1</sup> Riddell, P [Institute for Government 2012] *An open letter: two challenges and an opportunity*.
- <sup>2</sup> Frances Maude [PASC 29-1-2012]
- <sup>3</sup> Pollitt and Bouckaert 2004, *Public Management Reform: a comparative analysis* p8
- <sup>4</sup> Keller et al [McKinsey 2010] *What successful transformations share*.
- <sup>5</sup> Riddell, P [Institute for Government 2012] *An open letter: two challenges and an opportunity*.
- <sup>6</sup> National Audit Office [2011] *Progress in improving financial management in government*
- <sup>7</sup> McCrae, J., Stephens, J., and Mehta, R. [IfG 2012] *Informed Decision Making*
- <sup>8</sup> Hallsworth, M and Rutter, J., [IfG 2011] *Making policy better*
- <sup>9</sup> P Parker, S, Paun, A, McClory, J, and Blatchford, K [Institute for Government 2010] *Shaping Up*
- <sup>10</sup> Richards, S, [Institute for Government 2012 forthcoming] *The National School of Government*; Haddon, Dr C. [Institute for Government 2012 forthcoming] *A good idea that didn't work out? The Centre for Management and Policy Studies*
- <sup>11</sup> Cabinet Office [2012] *Civil service people survey 2011: summary of findings*
- <sup>12</sup> Gash, T. et al [IfG 2010] *Read Before Burning: How to increase the effectiveness and accountability of quangos*
- <sup>13</sup> Gash, T. et al [IfG 2010] *Read Before Burning: How to increase the effectiveness and accountability of quangos*, pp. 11-12 and Gash, T. Et al [IfG 2008] *Performance Art: Enabling better management in the public services*, pp. 21-3;
- <sup>14</sup> National Audit Office [2011] *Progress in improving financial management in government*
- <sup>15</sup> McCrae, J., Page, J. and McClory, J., [IfG 2011] *Transformation in the Ministry of Justice, interim evaluation report*.
- <sup>16</sup> Frances Maude [PASC 29-1-2012]
- <sup>17</sup> See amongst others: Haddon, Dr.C, [IfG 2012] *Reforming the Civil Service: The Efficiency Unit in the early 1980's and the 1987 Next Steps Report*; Cabinet Office [2009] *Working Paper on Civil Service Reform*
- <sup>18</sup> The Sunningdale Institute was a virtual academy of leading thinkers on management, organisation and governance, managed by the National School of Government – itself recently abolished.
- <sup>19</sup> Barwise, Macleod, Richards, Thomas [Sunningdale Institute 2007] *"Take off or Tail Off: a review of the Capability Reviews"*
- <sup>20</sup> Riddell, P [Guardian 17 May 2012]
- <sup>21</sup> Lowe, R [2011] *Reforming the civil service, Volume 1: The Fulton years, 1966-81*, p131-5
- <sup>22</sup> Barber, Sir. M [2007] *Instruction to Deliver*
- <sup>23</sup> See for example: Haddon, Dr.C, [IfG 2012] *Reforming the Civil Service: The Efficiency Unit in the early 1980's and the 1987 Next Steps Report*; and, Barber, Sir. M [2007] *Instruction to Deliver*

<sup>24</sup> Haddon, Dr.C, [IfG 2012] *Reforming the Civil Service: The Efficiency Unit in the early 1980's and the 1987 Next Steps Report*

<sup>25</sup> Barber, Sir. M [2007] *Instruction to Deliver*

<sup>26</sup> Jackson, A [IfG guest blog 16<sup>th</sup> March 2012] *Civil Service Reform: breaking out of the doom loop*

<sup>27</sup> Haddon, Dr.C, [IfG 2012] *Reforming the Civil Service: The Efficiency Unit in the early 1980's and the 1987 Next Steps Report*