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Public Administration Select Committee

Good Government

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Oral and written evidence

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The Public Administration Select Committee

The Public Administration Select Committee is appointed by the House of Commons to examine the reports of the Parliamentary Commissioner for Administration and the Health Service Commissioner for England, which are laid before this House, and matters in connection therewith, and to consider matters relating to the quality and standards of administration provided by civil service departments, and other matters relating to the civil service.

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Witnesses

List of written evidence

Oral evidence

Taken before the Public Administration Committee

on Thursday 17 July 2008

Members present

Dr Tony Wright, in the Chair

Paul Flynn	Julie Morgan
David Heyes	Mr Gordon Prentice
Kelvin Hopkins	Paul Rowen
Mr Ian Liddell-Grainger	Mr Charles Walker

Witnesses: **Sir John Bourn KCB**, former Comptroller and Auditor General, **Sir Richard Mottram GCB**, former Permanent Secretary, and **Ms Kate Jenkins**, former senior civil servant, gave evidence.

Q1 Chairman: Let me welcome our witnesses this morning. We are delighted to have you in front of us, Sir Richard Mottram, Sir John Bourn and Kate Jenkins. As you will know, the Committee has launched a rather ambitious-sounding inquiry called "Good Government". The point of this is to try and get behind some of the daily arguments to try and distil some of the underlying issues about what we do well in British government, what we do not do well and what we could do better, so we are asking a whole raft of people, who have got experience of these matters from different perspectives, to come and, as it were, distil their wisdom to us, and, I am afraid, all of you came into that category at once for obvious reasons. We have been reading what you have been saying and we want to draw from you in terms of this inquiry, so could I thank you all very much for coming along. Because you are all now free people, and, Kate, you have been free for a long time, you do not have to speak in the way that you might have spoken when you came in front of us when you were holding various offices and you can now tell us the truth! Now, I do not know if you would like us just to kick off or do you want to say anything by way of preliminary. We shall just kick off. Now, you are all incriminated by texts that you have produced, and I am going to use these to get us going. Now, Sir John, you, having run the National Audit Office for many, many years, therefore, have looked at government closely over this period, since you have left, you have been saying some pretty robust things about its infirmities. I quote back to you this article from *The Financial Times* back in May where you say, "My experience has taught me that fundamental improvements are urgently needed', and then you go on to say, 'The whole culture of the senior Civil Service needs to be changed. The top jobs should go to those who have successfully managed programmes and projects—in health, social welfare and taxation, as well as construction and defence. At the moment they are given to those best at helping their ministers get through the political week. Changing this would produce a new breed of civil servants, who would concentrate on securing successful public services. It would alter ambition and behaviour right down the line". This is big, bold talk. What has brought you to this conclusion?

Sir John Bourn: Well, the 20 years' experience of being the Comptroller and Auditor General, when I was an Officer of the House of Commons, rather than a servant of the Executive, Chairman, and the 30 years' experience as a civil servant "helping the Minister to get through the week in politics". What I tell in that article is the consolidation of the experience that I have had in 50 years of continuous service and the consolidation of the reports that we made and the improvements that we proposed through the work of the Audit Office. You quote, as it were, the headline point that I make in the article and I also bring out that the Civil Service recognises this to a degree. If you look at Sir Peter Gershon's work on gateway reviews and you look at Sir Gus O'Donnell's capability reviews, they are saying, in a sense and in perhaps more measured language, what I am saying in that article you have just been good enough to quote. So Whitehall could move forward and you could get, as it were, a new view of what it takes to get to the top. Other things which I mention, and perhaps I would just draw that out as you have invited me, Chairman, to refer to my experience, first of all, I think there is too much change in government. The administrative machinery is in constant turmoil: new departments are created, old ones are dissolved, amalgamations take place. This often confuses the people who work in them and confuses the citizens who have to deal with them and often does not seem very relevant to the projects and programmes with which the administrative machinery is concerned. Regional structures, I think, often add complexity rather than clarity and often constitute fifth wheels on the coach of systems of administration. Risks are very badly assessed and managed. It is often said that civil servants are risk-averse. They are risk-averse about risks within the bureaucracy, but they are risk-ignorant about the risks of the impact of their programmes on the citizens of this country where the most colossal risks are taken, absolutely walking off the edge of a cliff, as we have seen, for example, in the scheme for the Child Support Agency. We all agree, fathers should bear the responsibility for their children, but, before you launch a great scheme, you need to think about how you are going to find the fathers who are not

doing it now. These risks are, as it were, ignored and, as a further point that I would make, effective financial managements systems are not yet there in all government departments. People that I met when I was doing work for the National Audit Office, coming in from the private sector, were absolutely amazed that you can never find out what anything costs in government. Too often, as I said in the article, a figure that is put forward is a move in a game of, you might say, financial chess rather than being derived from a proper system of financial management and control. So all these are very important ways in which the government machine could do better, but that is not to say that the people who work for the government machine are anything but, for the great majority of cases, people who really want to do well for their fellow citizens, intelligent and anxious to make a real difference to the lives of people in this country. What is so sad is that all that effort, all that intelligence and all that commitment could produce so very much better results, and my argument, Chairman, in that article and other things that I have written, like the book I wrote at the end of last year[1], are directed at things that could actually be done and put into effect and, I believe, would result in even better services for the citizens of this country than we have now.

Q2 Chairman: Well, thank you for that. That is pretty dismal commentary on our state of affairs and we shall want to explore both the analysis and some of the remedies that you offer. Let me turn to Richard Mottram. The charge is that you spent your entire working life enabling ministers to get through to the end of the week. Do you recognise this description of what you have been about?

Sir Richard Mottram: Not in the least, no, Chairman, not in the least. The first point is that it would be amazing, I think, if we were not sitting around discussing, it would be very sad if we were not sitting around discussing how we could make the system of government in this country better. Why would you ever stop doing that? We should not be surprised that there is lots of discussion all the time about how we can make the system better. I have spent, I think, 39 years or something in the Civil Service and I never gave up on the idea that I could make it better the following week because I thought that, if we gave up on that idea, frankly, I would have stopped, but I think the reality is very different. I have worked with John, for instance, in the Ministry of Defence which has its strengths and weaknesses as an organisation, but I think no one could deny that it was an organisation that actually, over many years, was very effective in thinking about its strategy, developing new ways of working, adapting itself to the environment and, if you compared it internationally with other ministries of defence, it was very highly regarded. I worked latterly in the Department for Work and Pensions and John is quite right to say that the Department for Work and Pensions had an enormous problem in relation to the Child Support Agency, which is a very good case study of how not to do things and the difficulty you have where, if you get something off on the wrong footing, you are for ever putting it right. However, the Department for Work and Pensions was busily transforming every aspect of the way in which it worked to make itself more customer-responsive, even as it was reducing its staff and cutting its budget by very substantial sums of money, and those tasks require high-quality people who know how to lead and manage organisations. In the Department for Work and Pensions, there were plenty of people who knew how to lead and manage effective organisations, there were plenty of people who knew actually how to manage risk and there were plenty of people who knew something about financial management, so I do not myself want to overdraw this critique. What I would say is that there are all sorts of ways we can discuss in which we could improve the workings of British government involving ministers, officials, the delivery arms of government, which are mainly not actually in the hands of the Civil Service, but we should not spend our time being very bleak about the situation we find ourselves in.

Q3 Chairman: I am grateful for that, but you have not been entirely uncritical yourself of the way in which we do things. I have been reading your lecture at the LSE earlier in the year and you say, "The issue is how we balance and reconcile the culture and processes of political competition with the needs of management of large organisations", so you were actually saying that there is a problem about that at the moment.

Sir Richard Mottram: No, I was saying that I think there is an intrinsic issue there. There is an intrinsic issue in democratic government between the focus and interests of ministers in the political process and what is required in order to manage very large organisations, and we should explore why that arises. I think it does arise. I think it arises actually in every government system I have ever looked at, and what you have to is try find ways of reconciling some of those tensions because inevitably ministers have to get themselves re-elected, and that is quite a difficult thing to do, and they must have a focus which can actually be quite short-term. As I was pointing out in that lecture, I think we then compound some of those problems by the way in which the deployment of ministers and reshuffles and the whole political process makes that more difficult, but a minister has got a set of imperatives that relate to the political process. Some of these very large organisations, which are a world scale actually in their sort of complexity and the requirements of their management, they need to be managed on a consistent and coherent basis over a long period of time where actually, to bring about fundamental change, you really need to commit yourself to a path and stick to it, and the problem is to reconcile those imperatives. What I was, I think, trying to say in that article, Chairman, is that it is not a new thought, this, but I do not think it is focused on enough in government.

[1] "Public Sector Audit; Is it Value for Money?" published by John Wiley (2007)

Q4 Chairman: But what you seemed to me to be saying, and you seem to be saying it now and I am trying to draw you out, is that, insofar as there are difficulties here, they lie on the political, rather than the administrative, side.

Sir Richard Mottram: No, I do not think that for two reasons. The first reason is there are difficulties on the political side of the kind that I sketched out in that article, but, secondly, what I think is the way forward, although it is a very difficult thing to achieve for reasons we could discuss, is for ministers to accept that these organisations, for which they are accountable to Parliament, have to be managed and led by people who know about leadership and management, and that may not necessarily be ministers. Some ministers have that background, but actually not that many, or it may not even be the natural thing they bring to the process of running departments, but then, if you go with that sort of model, you have to accept, and this is something Kate and I worked on together on *Next Steps*, for example, you have to accept on the Civil Service side of that bargain that, if you are going to be given the responsibility to deliver things, you can then put together teams of people, you can train up staff, you can have the processes, and you can have the organisations that will give ministers the confidence that things will be delivered. If you look at the track record of the Civil Service and you look at the track record of other public services, the answer is that it is mixed. So I certainly was not arguing in that article that the problem is simply in relation to the ministerial process. I have actually spent a lot of my official career trying to improve various aspects of the way in which the Civil Service performs as an institution and quite clearly that work is not done.

Q5 Chairman: Thank you for that, and let me just bring Kate in. You are still carrying the scars of trying to make change inside government some years ago and now you are an acute observer of these matters, both here and internationally, and you are very critical in what you say. You have written a book recently and you have been writing articles, and I quote from one of the articles where you say, "Even assuming that Parliament and the Civil Service carry out their constitutional functions with care and diligence, the structure is too odd and too fragile to withstand the pressures of a modern state". You are as dismal in your commentary as Sir John here, are you not?

Ms Jenkins: I think I could be very easily as dismal as Sir John because, for those who have been looking at this, as he has and I have and Richard now of course, for 40 years or so, what I think, is disconcerting is that it is not a new set of problems that arise. It tends to be the same set of problems and they tend to focus on the similar point, and I think Richard has very eloquently put the nub of the problem, which is the way in which decisions are taken and the way in which the management of government is actually handled by senior officials and by politicians. I have noticed, on reading through a lot of the material, that in particular, the role of politicians on entering government is something which tends to get neglected and it is quite a serious issue which, I think, repays investigation and, I think, would repay investigation by you because you are in a better position than almost anyone else or any other organisation to look at this seriously. The extent to which now, and I think it is much more the case now than 50 years ago, say, the functions of government are so complex, so fragile in the sense that they are both volume- and policy-vulnerable, it means that sudden changes in policy, sudden changes in volume and sudden changes in approach can destabilise these very complex organisations in a way which, if you have not had experience of running, or working inside, these very big operations, is extremely difficult to perceive. Certainly, from working with a large number of extremely well-intentioned ministers all around the world as well as here, I have seen over and over again this deep frustration about why the machine does not respond as they want it to respond, which is based on what I could only describe as a naïve innocence of the complexity of running these very big functions.

Q6 Chairman: So it is the fault of the politicians?

Ms Jenkins: No, I have not finished. It is partly the fault of the politicians, and I am not sure that "fault" is a very helpful expression because I think that this is something that has grown up over time, but I think we have reached the stage now, and this is where, I think, Sir John's points were very interesting, where the same complaints have been made now for 40 or 50 years. Fulton described a serious lack of understanding and competence in management and his ire was directed to the old administration, the administrative class of the Civil Service. When we wrote the *Next Steps* Report in the 1980s, we identified really quite alarming things about the way in which departments then were managed. On a number of occasions, I talked both to the secretaries of state and to permanent secretaries running departments and, on a number of occasions, they said in a rather engaging way, "Oh, I don't deal with management. He does it", but, when they both said it in the same department, we became extremely concerned. The theory of *Next Steps*, and I am sorry to keep using the shorthand, but the theory of setting up executive agencies was, in part, to push both ministers and senior officials into a position where they had to do this extremely difficult task, which most of them found very difficult indeed, which is to be specific about what your policies should mean in practice and what it is that is expected of a large government executive operation. Now, we found that this was very seldom spelled out and certainly in the mid-1980s, a lot of what happened happened because of the diligent, hard-working, honest, urgent sense of the need to get on of middle-ranking civil servants who were not given adequate and clear instructions on what they were expected to do, or even how much money they had to spend. The agencies were very much a structure which was, though not entirely because there were virtues attaching to things called "agencies", an attempt to build that crucial link between the highly politicised,

with a small "p", definitely a small "p", of the senior Civil Service and ministers in government whose concerns, with all due respect to Richard, were, certainly then and in very large measure, protecting their ministers, getting to the end of the week, the month or the year and dealing with the short-term horrors that hit them rather than the longer-term strategy.

Chairman: We shall want, as far as we can, to explore that and we particularly want to get into the remedies area for some of the analysis, but that has been, I think, a very useful set of introductions to all this.

Q7 Mr Walker: One of the criticisms that could be levelled at our distinguished panel is that you live in the gentle world of the academic where everything is frightfully consensual and nice. I am a new Member of Parliament, I came in in 2005, and the reality I see is politicians driven by today's or yesterday's headlines and the need to react, and I think this is more pronounced now perhaps than it ever has been. Really, I do not think you can have good government if you have government based on the headlines in *The Daily Mail*, *The Sun*, *The Express*, *The Mirror* and so on and so forth, and it does cause me some concern. I was talking to a former senior government civil servant who said, "Vast sums of money were knowingly squandered on initiatives, which, before they even started, it was known they were going to fail, just to appease the headline-writers and the sketch-writers and the commentators". Do you think that is a fair and accurate summary of part of the problem?

Sir Richard Mottram: I think that it is, I might say, just a slightly more racy way of putting the issue, what is called "the interface" between the political and the administrative and all that. Absolutely, yes, there are real pressures on ministers in the nature of the political process, there is a lot of pressure inside departments to produce new ideas, new things, et cetera, and there has been even the idea that you pass laws simply for a demonstration effect as opposed to any other. I personally rather doubt whether the political value of some of this is quite what it is thought to be, so I think that the tempo of politics and the way in which it has been caught up in a sort of, to use the cliché, 24/7 media and so on, the tempo of politics has become faster and there is a lot of nugatory work. Personally, I think governments would be wiser to step back from some of this and actually, on occasion, to have their own pace and to try and lower the temperature, but this is a well-known thing. The problem inside departments is how you manage and moderate that process so that it has impact, but it only has impact when it is positive, and that can be, I think, a very difficult thing. I think it would be a difficult thing going forward actually in a number of government departments because now there is a lot more pressure because public expenditure settlements have been so tight in the last Comprehensive Spending Review, there is going to be a lot more financial pressure and officials are going to be going to ministers and saying, "Well, it might be nice to have an initiative on X, Y or Z, but actually we have no money". If I could just make my last point, I have never worked in a department where a minister would say to me, "I want to do A, B or C", and I would say to him or her, "A, B or C is a waste of money", and they said, "Well, I want to do it anyway", and I would simply shrug my shoulders. That is not the way in which a well-run government department works. In a well-run government department, you do not knowingly go out and waste money, and indeed a permanent secretary has a duty not to do such a thing, so in a well-run government department, there is going to be a lot of robust debate between ministers and officials about whether X, Y or Z is indeed a good idea. Then, conversely, you have to try and avoid a situation I have also been in as a permanent secretary, where you discover that all you are ever saying to your secretary of state is, "There is no money. This is a very bad idea. We don't want you to do it", because eventually, I think, they sort of switch off and get very bored. So you have got to try find ways of producing a political dynamic in the department that has an active effect on the ground and, in my view, containing the tempo because, and this is the last point, Chairman, one of the big problems in government is there is no understanding at the top, and this can include officials as well as ministers, of what life is like for the people who are doing the delivery and no understanding of their capacity to absorb frequent changes of message. They have no such capacity and one of the problems we have in government, I think, is that there is far too much change at the top which, it is thought, can influence people doing the delivery, but actually the delivery people are completely swamped by successive messages and, frankly, have reached the point where they just stop listening. So you have to get the tempo right and you have to get the tempo of communication also right and then you can produce some constructive result.

Ms Jenkins: I think that, if what you are wanting is some solutions, what Richard has been saying is very much, as it were, the classic handling of ministers and management of the department. It is an exceedingly difficult job and I think that is one of the first things I would say, that the process of managing a large government department is not simple, it is not a matter of short-term projects happening, and there are very large numbers of people working very diligently below it. The problem, however, which I think your work should address is, to some extent, not that there are all these problems because they have been discussed and talked about for a very long time, but it is to find a way out of what, quite honestly, quite often looks like a mess. I am trying to be moderate because, otherwise, I could become anything but on this subject. It has gone on for far too long. We have, as I said, 40 or 50 years of the same comments being made about the failures of government. Now, some of them are inevitable because government is immensely complicated, and I think this is where I would come back to the political experience point. Until you have actually sat at a minister's desk in a large department and begin to get some sense of the scale of what is going

on, it is very difficult to believe how different being in government is from being in politics. There are a whole new range of skills, there are a whole new range of things going on that it is very difficult to get a grip of when you are outside and under the British system, of course, you are kept outside, you are kept very carefully outside, so what is really going on within the department is, to a large extent, unknown to a lot of people and, although we now have far greater openness and far greater freedom of information, I can tell you that the instincts of secrecy are in the blood of people who have been in the Civil Service for any length of time. It took me four or five years after leaving the Civil Service before I really felt I could say what I thought because it was drummed into me. Therefore, you are dealing with a difficult situation as a minister and you do need skills, understanding and experience, which is very difficult to acquire over in the Houses of Parliament.

Q8 Chairman: I thought you were going to give us the remedy. You said you would go round the circuit of all the arguments we have had for 40 years and then concentrate on the remedy, and then you did not quite deliver the remedy.

Ms Jenkins: Well, the remedy that I would put forward is, first, that politicians and senior civil servants need to think extremely hard, and I agree this is the process of getting to the remedy, about what a modern government needs. I think this Government, in its broadest sense, is at a very tricky stage when there are a lot of pressures both on how Parliament operates, on how Parliament is elected and on what Parliament actually is within the amalgam that is the United Kingdom now, which will ultimately affect the way in which government operates. Given the uncertainties of those exogenous factors, I think the senior Civil Service and ministers need to stop and say, "What is it we will need in the next century? The first, very clear thing we are going to have is some very difficult government decisions and processes to take, so we, as politicians, need to understand how difficult and complex those processes are and what our contribution, as politicians, should be to those discussions", and I would use that word both for people within the House and members of the Government. Secondly, the senior Civil Service needs to rethink and reassert its professionalism. It needs far greater skill in managing large organisations, in understanding the nature of contracting and in understanding the extent to which IT can, and cannot, help the processes of government, so we need a far more professional Civil Service in the sense of skilled, and I think we need a far more professional political class in the sense of a group of people who understand the complexity within government. That means that people have to start understanding that exceedingly unfashionable word which is "management" because this is half the economy and the decisions that are taken sometimes late at night by very tired people, affect an enormous number of people, and I would like to see far greater awareness of the implications of what they do, so I think there is radical rethinking to do.

Sir John Bourn: Perhaps I could, Chairman, pick up on that. Of course, in a democracy, politics should be king and it should be you who determine what is enacted and what is taken forward, but one of the big changes that I saw in the 50 years that I was in public service is that, when I started in the Civil Service so very long ago, you had a lot of people who came into politics, came into the House with experience in trade unions and they had an understanding of how organisations work. You also got a lot of people who came in from business, not from enormous companies, but very often from middle-range companies and they too had practical experience of what it was to run an organisation, manage a budget and meet the payroll, so on both sides, I think, the House had a wider range of experience among the politicians than perhaps the nature of the political career provides today. If you have that, and it is a problem, the difficulty that you have with the senior Civil Service, as Kate has brought out, perhaps can be put like this: that senior civil servants say, "Yes, Minister" too easily. There is an idea that something should be done and there is altogether too much of a willingness to say that it can be done next Tuesday. In fact, of course, when there is a programme, when there is a policy to be taken forward, more time should be given to working out, "How are we going to do this if we're going to succeed?" so you need a project, a programme, a budget, a risk assessment and, above all, you need to know, as Richard and Kate have mentioned, who down the line is going to implement this, "Have they been trained? Who is leading them? Who is managing them?", and sometimes to say, "This is what we're going to do. We're not going to do it next Tuesday. We're going to work out how to do it and make a real success of it". That goes back to what, I think, all three of us have been saying about how we could, in the Civil Service and the public service, manage projects and programmes more effectively and, thus, provide less waste of money, better services and more reassurance in fact to the citizens who would feel, "Yes, we are getting something that works". A lot of programmes do work actually, and again the point that Richard made about the media is that of course credit is not given to those which do go well, and I think it is important to recognise that ministers, senior civil servants and junior civil servants actually, in spite of all the difficulties, do have a lot of success, to their credit.

Q9 Mr Walker: You do not need to respond to this, but, just to pick up on you, Sir John, I was not in Parliament, but I remember when a penny was put on National Insurance to fund the NHS an additional £8 billion, and the breathless Secretary of State for Health came to Parliament the next day and he said, "My civil servants and I worked over takeaway pizza and curry to decide how to spend it". My God, that was a frightening prospect! If you did that in business, your stock price would collapse to 10% of the value the next morning, and that is the

problem, loose talk by politicians. Of course, that was not the case, but it was a very silly thing for the Minister to have said.

Sir Richard Mottram: I just wanted to follow on from a point that John was making, which goes back to the fact that the backgrounds of today's ministers may be somewhat different from those in the past. What I have always felt about this is that ministers do come in very different shapes and sizes, so to speak, and what they nearly always, in my experience, bring to the process is a lot of commitment and a lot of knowledge of the outside world and a lot of ways of thinking about things differently from the machine. The job of the Permanent Secretary is to think of ways in which he or she can ensure that the Minister can engage effectively with the Department, and you can do that in all sorts of different ways and we could talk about this. But what it requires is mutual trust, so John is absolutely right, that you have to have the capacity to go to the Minister and say, "This is a very good idea, but actually it is going to take four years to deliver it and you can't announce it next week, and actually we don't have the money to do it, so we need to do more work on it, et cetera. We need to bottom out all the risks and we need to do the job properly". The issue is: do ministers listen to that advice? Do they believe that the people who are giving them that advice are themselves competent and can be relied on? One of the problems, I think, we have had in recent years is that they do not believe that the senior Civil Service itself knows how to manage things and they do not believe what they are told about the risks that are being taken and actually, as a result, departments take far too big a risk, so we need to restore trust, if we can, and, if we find that difficult, and we might do, we need to find also alternative voices that can help in persuading ministers that actually risk does need to be managed properly. There are therefore, issues, I think, about how departments are governed and how you get new voices, say from non-executive directors, who can help reinforce, or indeed contradict, what the Civil Service has said, so that you can then have that active debate.

Ms Jenkins: Can I just come in at that point because I think Richard has opened up a very basic issue, which is the relationship between ministers and their senior civil servants. Again, this is not a new topic, but it is a topic which, I think, is still not seriously addressed by the senior Civil Service. It has been the subject of comment for a long time, but one of the problems, I think, that politicians face coming into government is that they are dealing with a world, and I think I have said this before, which is very difficult to get inside. They are dealing with a world where the language is the language of "*Yes, Minister"* for some people, not for all permanent secretaries, but for a lot of them. A lot of the discussion takes place still in code and a lot of it needs decoding for politicians, I think, entirely understandably, but the responsibility for this lies with the senior Civil Service and, as I have said in my book, when you trace what has been happening, there has been an acceptance on the part of governments that something fundamental needs to be done to the senior Civil Service and it has never happened. I am no longer there, but we all had the same training, we all came through the same processes, there have been small attempts at modest training programmes, but fundamentally rethinking what that role is and what skills people bring to that job so that they are respected for the professional advisers they should be, I think, is one of the serious points, going forward, that needs to be looked at.

Chairman: Yes, I am sure we shall want to ask you more about how you think we are going to achieve that.

Mr Liddell-Grainger: Tony Blair famously said that he has got the scars on his back from trying to convince the Civil Service. Whatever you say is fine and dandy in a room like this, but the reality is that they are not going to change because they are all conditioned by the same process that Kate was just talking about, so how do you change them? Do you fire half of them? There is no sacking policy. A guy loses 25 million people's personal data and he is given a pay-off. Should there be more of a system of fear that, if you fail, you have got a problem? It happens in big business.

Q10 Mr Walker: They still get big pay-offs though!

Ms Jenkins: I think how we change it, and this is why I said it is fundamental, is that you have to start at the beginning and you have to say that the role of the civil servant is X, Y, Z. We take people in and one major breakthrough you could have is by saying, "We don't take people in until they've had five/six/10 years' experience outside. We do not take people straight from university with no experience". The second thing you do is you say, "We insist on two to three years' professional training of the kind any other professional in the United Kingdom has to undertake", and that can be defined and set up so that, by the time people become middle-ranking civil servants, they do have professional skills to which they can then add the skills that you need to run the government machine, in a sense, but it is that degree of rethinking. I do not think it is in fact reasonable or feasible to make radical changes to the way people behave in their 50s, with all due respect, because it is very difficult to change at that point. Some people can do it, but not everyone can do it, but we have to start at the beginning and bring different people in, but in a planned and systematic way, not just because they happen to have a few bright ideas and can make a contribution at the discussion table.

Q11 Chairman: You were shaking your head on that.

Sir Richard Mottram: Well, I was shaking my head on it in the sense that I think the Civil Service should make sure that it is roughly like the rest of the economy, as a first principle, and lots and lots of the rest of the economy have graduate recruitment schemes, rather like the Civil Service's scheme, and I cannot see why the Civil Service could not have it. I absolutely agree about training, but of course the model that Kate is laying out is actually the "Professional Skills for Government" model that I was myself working on. I do not think that

departments should operate on a culture of fear. I quite agree with you, that there needs to be a strong sense of accountability and people who do not deliver have to be dealt with, and I think the Committee have commented on this in one of your previous reports, that there are issues around how easy it is for the Civil Service to get rid of poor performers, but what you do not want is a culture of fear. What you want in an organisation is a culture of optimism and pride when they are doing a good job and you are explaining to them how they get to the next stage in doing an even better job. There is probably too much fear already inside the Civil Service with a lot of disparaging remarks made about it and you spend a lot of your time trying to gee up people who, in the external noise of the system, are being demotivated by rather crass things that are said about them. Certainly expect very high levels of competence and have effective performance management, which the Civil Service has not quite achieved, but do not have a climate of fear.

Q12 Mr Liddell-Grainger: But the problem you have got, as we just heard from Ann Abraham, and I was just writing down some of the recent problems, tax credits, IT, financial regulation, procurement, data-loss, are the disasters, and they are probably the same now, but they have now become public because of the press, they have now become much more obvious because they are so big, they are a multi-billion, yet nobody seems to take responsibility for what happens and everybody gets shifted sideways quickly. Having some good governance, that is cover-up, white-wash and disaster management. There is no basis for management in any of that. Is that right, Richard, or not?
Sir Richard Mottram: Well, you are picking on—

Q13 Mr Liddell-Grainger: You are the one who made the comment the other way.
Sir Richard Mottram: Yes, absolutely. I was not saying that you are picking on me, I was saying you are picking on individual cases which are impossible to defend. Downloading 25 million people's data and sending it off to Sir John Bourn in two disks or one disk or whatever is not proper process and, quite clearly, all Civil Service organisations needed to have a different approach to information management and so on. The only point I would make is that we should not think, and I have had debates on this with the Chairman, that what we are now facing is some great crisis where nothing has been learnt, where performance has gone down and rumty-tumty-tumty-tum. The British government system is, in my view, a lot more effective as a system now, and I said this, I think, in the article the Chairman was quoting from, than it was in the 15 years after I joined the Civil Service in 1968 when, frankly, this country was going down the drain. We had all sorts of government process and some of it may have been more elegant than what we have now, but the country was going down the drain. The country is not going down the drain now and, therefore, we should not exaggerate the problem that we have.
Sir John Bourn: I think the point which has come out of the last few exchanges is around the one that I made, that success should go to those who show that they have managed projects properly and well. That should be the message that goes down the line and people say, "If I'm going to get to the top, what I need to do is not be the Private Secretary to the Secretary of State, but what I need to do is to manage a project successfully and to show that I can design it, secure political approval for it, fund it, manage it, assess the risks, evaluate it and train the people".
Sir Richard Mottram: You could do both though, John, could you not?

Q14 Mr Liddell-Grainger: I was going to ask you, John, what do you do with the failures, the guys who set up the RPA, other than promote them, which seems to be the norm now? What do you do? Do you fire them? Do you say, "Look, I'm sorry, you're going to Stornoway" or what?
Sir John Bourn: Well, I feel that you have to approach this in the same way that you do in the rest of the community. For those people who are not able to make the contribution to the organisation, whether it is a university professor, whether it is a civil servant, whether it is a partner in an accountancy firm, you have to say goodbye to them, but say goodbye to them in a civilised way with some understanding and with some advice as to how they can move on to somewhere else. Of course, traditionally, you are right to say, in the British Civil Service, like all civil services, once you had started, you could be there for ever. That meant that people had assurance, more assurance perhaps than they have got today, in talking to a minister. But it did mean that some people, who were burnt out by 40, stayed until they were 60. But you could manage this much better and you could do it in a way that is on the same lines as the rest of the community and that would be the right thing to do.
Ms Jenkins: There is another snag about this, which is that very often major project failure is a consequence of very, very urgent political pressure to achieve a result and, on the whole, people do not like to say that, but I know of a number of instances where what has actually happened is that a project has not been properly implemented, has not been properly tested and has not been properly financed because the political pressure to move has overwhelmed the sort of sensible process of getting something up and running properly. It is not a very popular thing to say, but it makes laying blame exceedingly difficult because you can get situations where senior officials are actually scapegoated and I think that makes the rest of the system rather more defensive than it might be.

Q15 Chairman: You would have thought, would you not, by now, that we would have some kind of rubric or checklist of the conditions of policy success and the conditions of policy failure? Heaven knows, we have had so many examples of each. Why has the NAO over the years not distilled its wisdom in telling us what the conditions for policy success are?

Sir Richard Mottram: Chairman, we have these things, and a nice example of this might be that inside government, and I have to be a bit careful about what I say, the previous Prime Minister, for example, mandated an approach to the management of projects involving IT support and generally to risk management that was to apply in every government department. Some of this was based on studies by John and his people and the PAC and so on. But that does not stop a minister in an individual department asking the system to do something which is completely unrealistic. I have actually myself personally been in conversations with senior ministers where I have said, "Well, actually I don't think we can do this and, moreover, I think that it contradicts the instruction you have given me about the conduct of public business and, therefore, I don't think that I should do it", and they are all looking round in the room, saying, "What's he talking about? Why is he going on about this thing, the conduct of public business? We want him to do it". This is the political imperative in relation to the imperative of management and these things inevitably, in some cases, are going to rub up together in a difficult way and you have got to try and find a way through it.

Q16 Chairman: But, instead of having it hidden deep in the system, as Kate is describing, let us identify it, politicians making unrealistic demands as a condition of policy failure, so that we all know about it.

Sir Richard Mottram: Well, of course this might come about actually in relation to accounting officers because, in the worst possible cases, you ask for a direction and that process itself, I think, is very valuable inside departments. I do not think I have ever had a direction actually, but I have had a number of conversations with ministers where I said, "Well, if you insist on doing this, I am afraid you are going to have to direct me to do it", but, if you have too many of these, they do not really quite think you are on the team, so you have got to get the balance all the time right. These are living organisations, they are dealing with living events and that is why they are worth working for.

Q17 Mr Prentice: But what happened in the Treasury when the decision was taken to get rid of the 10 pence tax band? Just go through the conversation between the then Chancellor, Gordon Brown, and the Permanent Secretary when the Permanent Secretary said, "Mr Chancellor, here is the distributional analysis. All these people are going to lose out as a result of this decision", and it went ahead anyway. Tell us what happened in the Treasury in that case.

Sir Richard Mottram: Well, I have absolutely no idea what happened in the Treasury in that case, but, ultimately, it is the duty of officials in that case to ensure that ministers are informed of the impact on individuals and, ultimately, it is a decision for ministers.

Q18 Mr Prentice: Well, I think that is a cop-out, is it not, really?

Sir Richard Mottram: Well, I do not know because I do not know what happened. Is it not, ultimately, a decision for ministers?

Q19 Mr Prentice: Well, there could have been a note, could there not, from the Permanent Secretary, if we are talking about new processes here?

Sir Richard Mottram: But the process was not the issue. Ultimately, this was not a value-for-money or a propriety issue. This was an issue actually about judgment of the impact of the decision.

Q20 Mr Prentice: It could be, for example, the Permanent Secretary saying, "Minister, I think in the Red Book in future . . . ", and then the winners and losers of any tax change, any change to the tax system, should be there, it should be flagged up and drawn to Parliament, and now we have the situation where it is costing the nation £2 billion with 22 million basic-rate taxpayers being given money when they did not lose out originally. That was a colossal failure, was it not?

Sir John Bourn: If I may say on that, I do not know the basis of the discussions in the Treasury on that issue, but, from the work we have done, we did see a lot of cases where, in a sense, a project or programme was worked out without enough attention to the impact on the citizens who would be affected by it. I mentioned the Child Support Agency, but others of course come to mind, like the programme in Defra for the new system of paying subsidies. The money is coming from Brussels on a different basis to be directed to farmers, Defra spent a lot of time thinking out the new way of paying the farmers, they thought of an over-elaborate system with the result that it does not work and the farmers do not get paid. They then of course write to their Members and write to the Minister. I feel in that case, and tax credits is another one, that, in designing it, there was not enough thought about the people who would be affected by it. What do they think about it? How will they behave? Will they actually respond? Here you can make in fact a sort of sociological point about officials. If you take the tax credit case, it is an interesting one where, in some ways, you can say, "How crazy to set up a system where you're going to pay people more money than they really deserve and you're going to get it back from them!" Now, we might say that most middle-class people that you find in the Civil Service would be prepared to pay it back and able to pay it back, but, when you think of who gets the tax credits, they are often very poor people without very much experience in handling money and budgets, so they get tax credits over the odds and they spend it and then the money is not there to pay it back. Therefore, of course you do not get the money back. But you leave the evidence of a failed project and disappointment all round, so greater attention is needed in planning it and how will the effect be on the people.

Q21 Mr Prentice: That seems pretty fundamental to me, that you design a system or a system is designed, knowing that it is going to be virtually impossible to claw money back from people if they have been overpaid and we, the nation, have lost, I think, about £4 billion, £4,000 million, in payments that have been made to people who cannot, for one reason or another, pay it back. Do you think that there has been a problem over recent years, and I am looking at Richard Mottram here, that—
Sir Richard Mottram: I am associated with problems over recent years!
Chairman: Because you have been there!

Q22 Mr Prentice: There are some things I cannot quote you as saying, but this trend, I suppose, to bring in experts from outside to publish a report to inform the policy debate, and there has been any number of them, Kate Barker and so on and so forth, do you think that the senior Civil Service feels a bit frozen out, that the policy advice they are giving has been marginalised because of this penchant of ministers to bring in outside people and to act on their advice?
Sir Richard Mottram: I think there is a risk there, but I think the important thing really, building slightly on what John was saying, is to ensure that the people who write these reports, who are usually actually supported from within the Civil Service and usually by highly skilled people, are themselves informed about whether the recommendations they are going to come to are or are not implementable. I think the key point that we keep coming back to here is the importance of thinking about government as a system which is both about strategy and policy and also about whether what you want to do can be delivered, not necessarily by a direct programme, by influencing people or regulation or whatever, and it is ensuring that that implementation is achievable. So, if you are doing a report on X, Y or Z, it is very, very important, I think, that the system, including the department as well as outsiders who often have a lot of knowledge about some of the points that John was talking about, are properly consulted and the recommendations are implementable. The reports that would come to mind are not I think open to the charge that they were blue-skies things that could not be turned into something that could be delivered.

Q23 Mr Prentice: Well, we raised this with the Cabinet Secretary just a couple of days ago about the merger of the Inland Revenue and Customs and Excise and that was, I think, the product of thinking by, was it, Barney, and McKinsey was brought in for—
Sir Richard Mottram: No, I think it was someone called Gus O'Donnell who was responsible.

Q24 Mr Prentice: Was it Gus O'Donnell? I would love to know.
Sir Richard Mottram: I think it was his report, was it not? I think, I do not know.

Q25 Mr Prentice: Maybe he was informed by a report written by an outsider as well, but the fact is that it was a complete cock-up and the latest Capability Review of the Revenue and Customs, just tells everyone who is prepared to read the report that the new merged Department is, in many ways, with its matrix management, completely dysfunctional.
Sir Richard Mottram: Well, I do not know because I have not read the report, but what I would say about that, and I think this is probably a point that also relates to some of the points that Kate has been making, is that I think you can make a very good case in terms of function and organisational design for merging together Revenue and Customs. Actually, the arrangements we had previously were very, very unusual in terms of the rest of the world, and I am always rather suspicious about uniqueness. But, once you had decided to do that, you had to realise that this was going to be a massive task and it was a massive task of organisation, of process and of culture and that is a very demanding thing to do. And it was being done in parallel with implementing, in the case of tax credits, for instance, something that was, well, of doubtful implementability, from someone who knows not very much about tax credits. Actually, you had got an organisation that was under enormous strain in terms of what it was trying to do and you were at the same time trying to reorganise it, and that always involves a lot of risk.

Q26 Mr Prentice: This is all cold comfort, is it not, another departmental reorganisation that really has not delivered the goods? That is the bottom line really.
Sir Richard Mottram: Well, it has not delivered the goods up until now, but are we arguing that it is impossible to imagine that you could organise the Revenue and Customs so that it was an effective organisation? I do not think that is beyond the wit of man.

Q27 Julie Morgan: I wanted to ask you about how politicians can be better prepared for government. We have talked quite a bit about civil servants and what could be done, but, Sir John, you mentioned the fact that Members of Parliament used to be trade unionists or used to manage small businesses, and I assume you were saying that that made them better prepared to be government ministers. I wonder if you could give us examples of people who came from those backgrounds, whom you saw operating well as government ministers because of that background and what do you suggest in the present situation where we have many fewer people from that background?
Sir John Bourn: Well, I think I can recall, from the time that I was a civil servant, a number of people who, for example, came as ministers in the Ministry of Defence. I remember a man called Bill Taylor a long time ago, a Conservative Member, he came in as a parliamentary secretary, and he had run a business. The interesting thing with a lot of these people was that they had not got great ambitions to be secretaries of state, but just to become a Member of Parliament was the achievement of a great

ambition, so, in that way, they were perhaps more relaxed. They were quite surprised to find themselves ministers at all, I think, but they did bring to it some background and experience, as I said, of having to run a team, having to get some money and having to pay people, and, on the trade union side, we did get people who were very conscious of again how do you run something, they were very conscious of the financial side and the money side and they were very conscious about training and how staff could be managed. Now, you cannot say that they were able to transform the Civil Service and of course you cannot really say that because that was a kind of pattern which, to a degree, was a feature of political careers that time ago. Ultimately, it turns around, I suppose, who the constituency parties choose to be the candidates and it would not be for me to say they had made the wrong choices because, as I say, politics rules in a democracy, but perhaps, if there were a greater understanding and appreciation that there was something to be said for looking at what the candidates who came before the constituency party had done and thinking, "Well, what practical experience have they had at actually running things?", not that that should be the only thing that matters, but perhaps more attention might be paid. I do not think you could of course lay down this as a matter of law, but, in a way, it is the funding of experience and seeking the benefit from it.

Sir Richard Mottram: I can think of examples of secretaries of state who had a business background and this could both help and produce some quite interesting debate, but we cannot change reality. I do not think this is now the natural way in which the political class is going to be recruited and I, therefore, think that you have to think about what positively and what practically can we do. Now, this goes back to the point I was making a bit earlier about trust and I want to add another point. I remember, without giving names, a conversation with a Secretary of State for Defence where I was explaining to him that he was now responsible for a budget of, I do not know, £30 billion and 400,000 people or whatever, and he began to go a little bit sort of green and he said, in a very charming way, "But the largest number of people I have ever managed is three", at which point I thought, "Well, this is going to be good because this is a person who understands the nature of his experience and so on". I said to him—and I am not being funny about this—"That is not a problem. We have a system here that will ensure that you can run the Ministry of Defence. You will be responsible for a top team of 10, 15, 20 people or whatever, but you are not required yourself to manage 400,000 people, you are not required to manage £30 billion, I am required to manage £30 billion on your behalf." The purpose of telling you that story is that I think the really important thing is for the ministers to understand the things they are really good at and the experience they do not have. Have a process of induction or even pre-induction which has a livelier discussion with ministers about the nature of their responsibilities in relation to the Department, of what it means, for example, to be in a strategic management role in relation to some of these huge organisations, where the most useful experience they might have had would be, let us say, as non-executive chairman of a large company. You are not going to recruit people like that: the story has not been very successful at bringing in people later in their careers generally who have had that experience—although I could think of one or two cases where that was not true. Explain to people what their role is. Do not expect them to walk in on day one, which is quite a frightening thing, and think, "I've got to manage this organisation myself and I don't have the skills to do it." Have discussion about what the respective roles of ministers and officials are and should be and what they need to do, what systems they need to satisfy themselves are in place—just as any of us would do in relation to an organisation in which we held a non-executive role—and how they satisfy themselves by a variety of means that the organisation is delivering the goods. That is the discussion to have with people, that is the development to give them. And accept that the ones who have had direct experience are going to be quite a minority.

Sir John Bourn: Perhaps, Chairman, I could make a positive suggestion along those lines. In the private sector a chairman or chief executive would be quite likely to discuss some of those issues with the external auditor. I found when I was the C&AG one of the things that was not done as much as it could have been—and maybe that was my fault to some degree—was for a new minister to say, "I'd like to see the external auditor. I would like to see the Comptroller and Auditor General. I want a view from him. What does he see about our strengths and weaknesses?" In the private sector that kind of discussion would be commonplace. We had not really developed it inside government as well as we might have done—as I say, perhaps, to a degree, my responsibility. I found that when I did have the opportunity to discuss with secretaries of state and ministers our appreciation of, as I say, the strengths and weaknesses, this was appreciated. I appreciated the chance to go over the ground with ministers and I think that is something that perhaps could be developed further.

Ms Jenkins: I would like to add to this there is a process of understanding and education in the business of government which I think should take place within and around members of a shadow cabinet. It should not wait until the day people arrive and are minister. Richard's description of the kind of thing somebody with that role in a large organisation ought to understand is not something you can pick up in two or three discussions with your permanent secretary. You should be doing that before you are in government, and serious politicians wanting to go to senior level in government ought to make it part of their duties to begin to understand what the process of managing a large department is.

Q28 Chairman: On your point about respective responsibilities, I want to be clear whether you are saying, that we could do better in clarifying what these respective responsibilities and accountabilities

were and we can do it more publicly and openly. It is one of the issues that Kate will tell us has been going around for 40 years and longer, and we still have not cracked this issue of who is responsible for what.

Sir Richard Mottram: The interesting point there, Chairman, is that there have been efforts in government to try to do this. There is a published guide to governance of government departments. When that was being developed, there was quite an interesting debate in government about the extent to which secretaries of state were content to have their role, in a sense, circumscribed. Perhaps I could explain what I mean—and I argue this in that LSE piece, for example. To take a business analogy—and big departments are not businesses, so nobody misunderstand what I am saying—big departments should be run on the principle that the secretary of state is effectively the executive chairman for strategy and policy and the non-executive chairman for the leadership and management and proper conduct of business of the department, and the permanent secretary should be held to account for all of those things. When I was in DWP, if I was talking to private sector people and they said, "What do you do?" I would say, "I am the group chief executive of the Department for Work and Pensions and also I am the permanent secretary. And we are not a business, but if you want to understand what I do I am the group chief executive." Everybody on the board of DWP could have explained how what they did had a direct analogy in a private sector company of that scale, which was world scale, and they could have a dialogue with people in those companies and learn from them mutually. That is what I would like us to do. Some ministers do not want to accept that. Some secretaries of state—and I am not criticising them: it is not for me to criticise secretaries of state—say, "No, I don't want to be the non-executive chairman. I want a much more hands-on role. I am not sure I can trust you. I want to get involved in all of this. I want to go and ask the staff. I will ask the staff what they think about the management. I will tell the staff that I think the management are rubbish." Ultimately you have to leave the discretion to different ministers to take a slightly different view about their role, but I think it would be a good idea to try to tease some of this out and it would be a very good idea to tease it out with a shadow cabinet or whatever. Perhaps I could add a further point which relates to this. In some departments the contribution of non-executive directors has been developed. In the Department for Work and Pensions, for instance, we had a series of heavyweight, non-executive directors, drawn from different private sector experiences, who used to hold me to account. They used to hold me and the top management of the Department to account—and they were an awkward bunch of people, and we had many constructive discussions with them. They would have been a very good group of people—to go to alongside the point that John was making—to give the secretary of state an insight, as one would in a private sector context, into the strengths and weaknesses of the management team. They had a very good understanding of my strengths and weaknesses; they had a very good understanding of the strengths and weaknesses of others. That would have been another source of advice. Thinking about governance, what Kate did in relation to accountability frameworks for agencies has really edged up to departmental level: departments are now much more thought about also in that framework—that is a useful thing to do. It can seem very nerdy, but I think it is useful.

Chairman: Thank you.

Q29 Julie Morgan: Who do you think should resign when things go wrong?

Sir Richard Mottram: The person who is responsible. I think it is very important to be cautious about this. If you have a problem in part of your department and you are trying to sort it out, you probably will not attract a wonderful candidate for that job if they feel that if the thing is not turned around in two years, or whatever, they are going to take the blame and they are going to be out, because people have to worry about their reputation. If you get too much into "somebody takes the blame", "somebody loses their job", you will find it very, very difficult to get really, really good people to take on the biggest challenges. If we look around the public service and we see some of the problems there are, they are partly a manifestation of this. But if I were the permanent secretary in this framework and the department was very poorly run in measureable ways, then I should resign, yes; not the minister.

Q30 David Heyes: I was thinking, Chairman, that I am really taken with Sir John's description of the good, experienced, amateur politician, the person who has good trade union experience, with experience of running an organisation and managing large numbers of staff. It is attractive to me because, in a way, it describes me. But I am no nearer to becoming a minister than I was the day I arrived here. What we have got now, however, is priority being given to professional politicians, to people who have seen politics as a career maybe from school days and certainly from university days. I thought that, Kate, you were advocating that in what you said earlier in the discussion: "We need more professionalisation in our politicians" is what I have noted down.

Ms Jenkins: Could I explain. I was not meaning that we needed politicians who had spent all their lives being politicians. I was meaning that we needed politicians with the skills that would equip them to be competent ministers when they became ministers. You do not need to spend all your life in politics in order to acquire those particular skills. The professionalisation was in the skills that politicians brought to the job of being a minister; not that they spend all their time as a professional politician. I personally think that is disastrous. It is as bad for politicians as it is for civil servants to be there from university. I would disagree with Richard fundamentally about that.

Q31 David Heyes: I have not uncovered a contradiction then.

Ms Jenkins: I am afraid not. But there is a contradiction about recruitment to any career, I think, these days. Most people have careers for short periods of time. We should not be embedding these very long-term careers in a single function which was a habit 30 or 40 years ago and is a different world. That is partly why I would still keep urging you to look ahead, not back, to see what the changes are that need to be made, because we can spend ages mulling over the last 50 years but it is what is going to happen in the next 20 that really matters.

Q32 David Heyes: Let me see if I can find another contradiction between you. Sir John was advocating the merits of the career civil servant concentrating not on becoming the private secretary to the minister but to showing that he or she can deliver a project. I think you said "to design it, to lead it, to deliver it". Again, that seems commendable. Kate, through advocating *Next Steps* Agencies and then, as a further consequence of that in more recent times, seeing many of the functions of the *Next Steps* Agencies becoming privatised/put in the hands of contractors, have you not drastically reduced the scope for those kinds of delivery skills being achieved by career civil servants?

Ms Jenkins: Those delivery skills are not the sole preserve of the Civil Service. There are plenty of places around the rest of the economy where delivery skills can be acquired. Running large organisations and making sure that people get their milk on the doorstep or their pension on Tuesday have a lot of similarities about them because you are running a large organisation with a lot of people in it and have some very complex processes to go through. The more complex the task is, the more difficult it becomes to manage. That is what is generically known as management. I would again argue myself that it does no harm to the Civil Service organisations to have people who come in to manage it who say—as I have had staff working for me say—"Why on earth are we doing it like that?" You do need people who will come in and say, "Why on earth are we doing it like that?" There will be lots of good reasons and lots of bad reasons, but that challenge is one of the real values you get from people who have broader experience and have not spent their entire lives within the very comforting ambit of the Civil Service, with its rules and its regulations and its relative security. There is a lot of change already, and we can go on with it.

Q33 David Heyes: Do you gentlemen have any views on what I see as the diminishing scope for career civil servants to acquire delivery experience?

Sir Richard Mottram: I do not agree with Kate about the idea that you could not have a career in the Civil Service because I had one—and I thought I did reasonably well. I think there are plenty of very successful other organisations in our society that have career patterns partly like that of the Civil Service, so I am quite suspicious about why that could not be the case in the Civil Service. There are delivery organisations that will remain in the Civil Service and one of the jobs of government, certainly on the "Professional Skills for Government" agenda, is to orchestrate and enable people to get the experience in those—which is not necessarily that easy for various boring administrative reasons, and it needs to be done consistently. I very much agree with Kate that you can also think about people who are going to have a substantial career in the Civil Service, not necessarily a lifelong one, being seconded out and going into other organisations. All that has to be organised. I have one last point: if we think about the training and development of people who come to the top of the Civil Service, those who are going to be permanent secretaries, for instance, we should not over-denigrate the idea that spending some time with ministers in private offices and so on is a valuable thing to do. I think the Civil Service now has a problem, in that people no longer see some of those more traditional career paths as something they want to do because it is a great hassle and it is very hard work and so on. When you get to be the permanent secretary of an organisation, you need a blend of experience that will enable you to do all the things a permanent secretary has to do. A permanent secretary has to be a strategist, a counsellor to the minister (in the nicest sense of that word), a leader, a manager and so on and so forth, and having previous experience of dealing with ministers I think really helps you when you are the last person in the room with the secretary of state, when everybody else has been told to leave, and you can have a discussion which understands the realities of ministerial life alongside the realities of being a civil servant. I think it is worth it. What was wrong with the old career path was that it was too much of the same thing, done time after time.

Sir John Bourn: I think there are sufficient projects and programmes in central government. Although some of them would be conducted by people from a very wide experience, and perhaps who have not spent a great number of years in the Civil Service, I think there is still plenty of scope for those whose career mainly lies in the Civil Service, although I agree very much with Kate and Richard that you do not want somebody who has only ever worked inside government. I think more attention should be paid to secondments, to careers which involve a variety of experience.

Ms Jenkins: Delivery is a word everyone uses now, but there is another skill which is linked to it which in many ways, I think, will come to be more important, which is the capacity to contract properly and competently for services to be delivered. That was always a gap that the Civil Service simply did not grapple with in the 1990s, when it became a much larger part of the waterfront. To understand who you are contracting with, what you can believe and what you cannot believe, what you need to put in and what you do not need to put in, is really a very tight skill for which people need experience and a lot of practical support to get it right.

Q34 David Heyes: Or is it better not to contract at all?

Ms Jenkins: I think it would be difficult to assume that that was going to be the case. In some ways I have a lot of sympathy. I still myself cannot quite understand why the public service is not better at doing things. Why it is that we think the public service cannot do something is a very interesting question to explore, I think. But, given the situation that a lot of contracts are now let for enormous sums of money, the skill of how that contracting is handled, so that it is handled in a sophisticated and effective way, I think is a very important gap that needs to be plugged at the moment

Q35 David Heyes: Sir John said that there were many examples of successes that just were not trumpeted. In the context of our inquiry looking into good government, we need to look at that as well. Where should we look?
Sir John Bourn: For example, when I was the C&AG we produced a report on successful IT projects, which of course was right against what anybody thought they could be. This was a set of projects which had worked well. The main characteristics of them were the sorts of things we have been talking about this morning. They were not attempts, as it were, to be right on the edge of technology; they were attempts to plan out something where there had been some experience of the technology and how to set it up. The top people at the department were behind them but did not claim to have the technical knowledge to plan and programme them. They were put together by people with that technical and managerial knowledge. They were properly funded. They were piloted where that was important. The staff who were going to put them into effect had the opportunity to contribute to the design of the project and they were given the training so they could work the IT. There were systems for evaluating the performance of the programmes. All those things were really about successful project management and programme management and where those things were done they did work.

Q36 Kelvin Hopkins: I have had the good fortune to spend 25 years of my life working in two political bureaucracies which are both slightly analogous to the Civil Service, if rather smaller, of course. After all that time, I was very interested in how they worked and I was a student of politics as well. I came to the simple conclusions that there were three golden rules. First of all, have systems that are very well thought out which work, set them up, establish them and keep them; have stable organisational arrangements over a long period; appoint the right people to the right jobs and make sure you get people to do what is necessary. These are elementary things. If you have those three things right, everything else will flow from that. I am very taken with what Sir John has been saying. I saw two bureaucracies, one which worked and one which did not. That is where I came to reach these conclusions. The one which worked had these three things and the other one did not. When they started to try to reform, we got into the turmoil that you talked about, Sir John. We saw senior people vying for jobs. Getting a job with bigger stakes, more pay, was more important than the structure of the organisation. In the end, the final abdication of responsibility, they started outsourcing some of their jobs because they could not do them themselves. The whole thing became expensive and chaotic and did not work. It strikes me that there has been a parallel in the Civil Service perhaps over a long time. I am always accused of being a golden ageist, but some of the things that were discovered perhaps by Northcote-Trevelyan were right and we do not want to throw things away which worked in the past.
Sir John Bourn: The points you make are very much, as you have said, part of what I was advocating and talking in favour of.

Q37 Kelvin Hopkins: In recent years we have had governments that want to transform. They are radical, they are trying to change things, and they perhaps see the Civil Service as a bulwark against what they are trying to do. Mrs Thatcher talked constantly about "Are they one of us?"—meaning civil servants—as do other politicians as well. More recently we have had the wilful Mr Blair. Sir Richard was talking about his desire to govern from the centre, press downwards, trying to get the appointment of civil servants who were in favour of his revolution. Is that not part of the problem as well?
Sir John Bourn: Those are big issues. In a sense, the reformers of Northcote-Trevelyan in its time led a great revolution, where the prime minister of the time might have then said, "Who is 'one of us' among those people?" The points you make are absolutely fundamental, which of course does not mean, within them, that you cannot and do not make changes. I do not think for a moment that you were arguing that, but they are the principles in which change takes place rather than being overturned by revolution. As the Chairman has said, for all the years we have been thinking about the quality of public services, and in spite of everything which is done—which is great compared with most other countries—why are they still disappointing? It is not surprising that politicians would sometimes think we should start off on a new course. I suppose you could say that in 1945, after the Second World War, the Labour Government said, "This will be a new course. It is going to be quite different from the 1930s. We are going to have the public control of industry, we are going to nationalise industries." Sometimes you will get that, but I think that whether you are in a programme, as it were, putting the emphasis on market forces or whether you are at a time when you are emphasising state development, the points that you make and that I have been trying to make are still fundamental, because, whichever is the broad historical canvass on which you are painting, those are the principles which are necessary to secure success and which are disregarded at your peril—as, of course, they often have been.

Q38 Kelvin Hopkins: When politicians want change, they sometimes use a technique called permanent revolution, which has been used in other, entirely

different spheres. The process there is you keep on changing, to keep those who resist you off balance. Every time you get a department which seems to be resistant to the new wave of marketised, liberalised politics, you break it up into two and give it to somebody else. Does this not have an effect of demoralising and alienating people who ought to be working positively for society, for the state? Has this not had a demoralising effect?

Sir John Bourn: It certainly has on people in the middle of departments and people on the frontline. Maybe sophisticated permanent secretaries, used to this world, can manage the turmoil, but people down the line who are reading their newspaper on the way to the office and suddenly find that, in fact, as from tomorrow, they are going to be working for the Department of X rather than the Department of Y, might say, "Why is this change being made? What is the point of it?" and, of course, as you say, "What is it going to mean for my family and my career?" Then it begins to affect how people's attitude is to the services they provide to the citizen with whom they deal. I think that it creates worry and uncertainty down the line. We see this in all kinds of organisations, in private sectors as well: the attempt to fix things at the top for yourself has a price to be paid down the line, and I suppose history shows that you always, in the end, pay it.

Sir Richard Mottram: There is a bit of a danger that this is now a conversation that is taking on an anti-change flavour. Perhaps I am misunderstanding it. I look at it in a slightly different way. The reason why people are dissatisfied, for example, with public services, is because their expectations keep rising. And it is a very, very good thing that their expectations do keep rising. The only way in which we will give people better services—and which they will still, I hope, be quite disappointed about—within constrained resources, is if we can transform (to use a ghastly jargon word) some of the organisations that deliver in the public service. That is, in my view, the requirement. The requirement is to transform them. The argument is not really about whether it is reasonable to ask. For example, I was responsible for the Department of Work and Pensions, and some of the frontline staff at the Department for Work and Pensions, for all sorts of reasons, were quite resistant to change. I did not think it was my job to say, "I quite understand you are very resistant to change, so we will not change." It was my job to persuade them that it was absolutely reasonable for a democratically elected government to decide it wanted these services transformed in all sorts of ways—which, as it happens, I thought were very sensible ways and they were quite bipartisan ways, which always makes it a lot easier—and to expect them to change. But my concern was always that we made the process of change rather more difficult by the way we went about it. We did not think enough about how to communicate with people. We did not necessarily make sure that the way in which ministers were speaking about the staff and the way in which I was speaking about them and what we were reading in the newspapers all aligned together, to say, "We want you to change and that is because we really value what you do and if you change you can do something even more valuable and we will value you even more" That sounds very Pollyanna-ish, but there was no really effective model of change that challenged people to change their behaviour, to change the way they worked, often to change their physical location and so on, in circumstances where they could see "I get something out of this". That is what the best private sector organisations do. I think the challenge for the public service is to go from a nice cosy conversation with jargon words like "transformation" and so on, into the hard slog of how you persuade people to do it. That requires a lot of skilful orchestration and that is what I would like to see us focus on.

Ms Jenkins: I want to challenge what Richard has said about rising expectations on the part of the public. The public, the group we ought to be thinking about all the time, have two problems. One is they are promised things that are not delivered by organisations that in large measure cannot deliver many of those things. Secondly, the core functions of government, the absolute basics, are constantly failed. I think it is that. If one could concentrate the management of government on its core businesses and make sure that those will provide a tolerable level of service, we will have gone a very long way to deal with a lot of these problems. What tends to happen is people spend a great deal of time talking about things that are at the margin, or, indeed, a great deal of time in indulging in elaborate programmes of change, reorganisation and restructuring, when what is needed is to get the basic task done properly. More focus on that, I think, would produce a much better result for people than we have now.

Q39 Kelvin Hopkins: This is a theme I have raised many, many times. How much of our problems have arisen from the fact that we now seem to be governed from the centre, by the will of one person or a group of people? I understand, say, in the 1950s and 1960s within the Treasury, there would have been a range of views on the economy which would at least have had the countervailing view put. If we had had some Keynesians who understood what we would like to happen with the ERM strategy and who had had more influence, might we have not had that chaotic collapse of a particular strategy—which led, in fact, to the defeat of the Conservative Government—if we had had debate within government, within the democratic structures, with a range of views and an honest discussion, instead of one person's will being pushed through? Is that wilful approach to government not always a mistake?

Chairman: In a nutshell!

Sir John Bourn: Yes.

Q40 Paul Flynn: If you were introducing the Next Step Agencies now, what changes would you have made in the way you introduced them?

Ms Jenkins: I was about to say that I did the original thinking but I did the introduction.

Sir Richard Mottram: I did the introduction—but I can come in after you.
Ms Jenkins: Some of it. The main thing I would do is to make far more emphasis on the role of ministers and civil servants in setting the agenda for the executive operations of government, so that there was a very clear link between politics, policy and management which could not be ducked. We were, surprisingly enough, trying to be fairly tactful at that stage, because what we had discovered was so uncomfortable, and, again, we were trying not to be too aggressive in order to get nowhere at all. The achievement we had was to get somewhere. We did not get as far as I would want to get. But that is the weakness.

Q41 Paul Flynn: You were chipping away part of the empire of the ministers at the time. It was removed from Parliament. Parliamentary questions were answered and not reported in Parliament at the time. Was all this worthwhile? Do you see it as a great success, with the independence they have had and the way that they have behaved since?
Ms Jenkins: I think that with every single change of this kind you can see good things and things that have not worked as well. There were some agencies that were set up extremely poorly. There were some agencies which should not have been agencies at all, because there was much too much political sensitivity attached to the functions that they were carrying out. But there were some agencies which do a lot of very boring stuff in government and to which nobody pays any attention which are better run and are the better for it.

Q42 Paul Flynn: You said that public expectations are built up to a high level. Could you give some examples of that?
Sir Richard Mottram: I think I said that.
Ms Jenkins: I said it too, so maybe we both said it. Public expectations, for example, of the tax and credit system were a real problem, and there was a serious problem about the implementation of that one. There have been public expectations about the NHS which have bedevilled modernising the NHS for years and years. There have been public expectations of the system of justice in this country, which also have failed to be delivered. It is these things, the promise of policy which is sometimes quite right but which the systems themselves simply cannot deliver or are much too complex to do in a simple and straightforward way.

Q43 Paul Flynn: If we look at the Civil Service and the ethos of the Civil Service—and I do not want to denigrate their work in any way—there was a claim made about the monumental failures, the ones that stick out over time. Someone once said, that the policy on producing Concorde and the advanced gas-cooled reactor were the two worse civil investment decisions since the building of the Pyramids, in the view of decisions taken without any practical value at the other end of it. There were civil servants who said that in government, who said, "This is crazy. We can't go ahead, throwing billions at these projects that may not get anywhere" but, particularly with Concorde, there was a great issue: people felt it was a great virility symbol for the nation. The civil servants who opposed that, their careers withered. The civil servants who went along with the ministers, their careers prospered. It is based on the theory "The unimportance of being right" for the civil servants. Is that true?
Ms Jenkins: I would quite cheerfully say that in a large number of cases I would think that would be true.

Q44 Paul Flynn: The late Sir Peter Kemp, after his career, said that the best he could say on the Civil Service would be to get the auditors out and the innovators in. Is that true?
Ms Jenkins: I would adapt that. I would say that the Civil Service needs to learn to accept the existence of innovators and radicals within its numbers. It tends to extrude them. It needs to recognise that that is a necessary function of the Civil Service.

Q45 Paul Flynn: You mentioned the Ministry of Defence. If we look at the Ministry of Defence, there was the recent catastrophe of the Chinook helicopters. There was nothing wrong with them but they were vandalised by the Ministry of Defence. Eurofighter—a disaster on an oceanic scale. Hard to imagine it. Virtually ever major defence project of the last 40 years has turned out a product which costs at least four times what you can get it for on the open market if you bought it somewhere. All based on constituency nationalism—because we all like defence jobs, and in constituency. UK nationalism. Euro nationalism—because we do not want to buy from the Americans. It is a continuous story of waste on a vast scale. If it had been a public company, it would have been bankrupt once a fortnight. What is the role of the civil servants in that? Is it entirely the fault of ministers? Should there not be some civil servants saying, "For goodness sake, let's have sensible procurement"?
Sir Richard Mottram: There are a number of different categories of misprocurement here. With Eurofighter, for example, the issue was that by the time it had been developed and brought into production, the international environment had changed in a very fundamental way. You have something which is very expensive and which may not be ideally matched to the environment we face now. That is a fundamental problem in some aspects of defence procurement. But I certainly would not blame ministers for the issues that have arisen, the examples you have given, because, basically, the detail of the way in which all of these procurement programmes are managed, the way the requirements are defined, the way they are managed, the contracts are negotiated and so on, these are in the hands of the officials.

Q46 Paul Flynn: What should a civil servant in the Ministry of Defence, or whatever department it is, be saying to ministers about Galileo?—which is an example of European nationalism. What advice should they give. What takes the idea that this thing

is out-of-date, redundant, is going to be replaced before it has even been created because there will be a better American system, a better Chinese system? We are carrying on only out of reasons of European nationalism: because it is ours and we want to have something that is ours and not necessarily something that works. If someone took that view, what should the civil servant be saying to the minister?
Sir Richard Mottram: I think you could safely assume that in relation to a project like Galileo, there would have been a fairly active debate in government about whether it is value for money and in the UK national interests or practical.

Q47 Paul Flynn: On your own work in the Department of Work and Pensions, you were there for three years, as I understand it.
Sir Richard Mottram: I was.

Q48 Paul Flynn: For the past 18 years the department had to sit down to qualifying by the NAO because of concerns about the level of fraud and error.
Sir Richard Mottram: Yes.

Q49 Paul Flynn: You mentioned that these things are not beyond the wit of man, or, presumably, beyond the wit of women, to get things running properly. Eighteen years.
Sir Richard Mottram: The person who kept qualifying my accounts is on my right.

Q50 Paul Flynn: Indeed.
Sir Richard Mottram: Unfortunately this is not a 30-second conversation. What I would say about fraud and error is that, in part, this is an issue about the way the social security system is designed; in part, it is an issue about how it is managed. We tried to open up a constructive dialogue with the National Audit Office about how we could improve our performance and how our performance compared with the performance of other countries. Out of that came a number of practical ways in which we can try to improve. I noticed recently, although I only read it in the newspaper, that DWP fraud and error had been improving, although official error had actually been worsening. These are things which you can take practical steps to try to manage better. If you look to that performance relative to other countries, I think it was quite good. But John is an expert on this because he kept qualifying my accounts. He had no choice, because under his rules he had to qualify them.

Q51 Paul Flynn: This is a very egalitarian committee and we have stripped all the titles away, but you are Sir John. Could you tell me if you would have preferred in your career—a very distinguished career—to have had an organisation that had the powers of the General Accountability Office in America? Do you think we need an office with those wider powers? It has been suggested that we have something called the National Performance Office that will look not just at the pounds, shillings and pence, but at the performance and audited that in a different way. Do we need a GAO here?
Sir John Bourn: In fact, we do have all the powers of the Government Accountability Office. Indeed, they traditionally have had fewer powers compared with the National Audit Office, particularly on the financial audit of accounts, which American departments did not have in the way that British departments did. In relation to the idea of a kind of National Performance Office, you could—and, indeed, we did in some areas—produce reports which were assessing performance to a degree in the round. You could do that within the present law giving powers to the National Audit Office. You could say that that would be an extension of its value for money report, because, instead of, as at the present time, where most of the value for money reports are about particular issues, you could, as it were, do an analysis of the strengths and weaknesses of a department in the round. It was one of the things we were thinking about before I left and I think my successors will want to consider it. I think you could do work of that kind within the existing powers that the office has. You might need to reinforce the range of expertise in the Audit Office to do it, but it could be done.

Q52 Paul Flynn: Could you reflect on the criticisms that were made of you personally about the alleged extravagance of your expenditure, knowing the role that you were performing?
Sir John Bourn: As far as that was concerned, all the expenditure was properly accounted for and recorded. It was all examined and shown to be within the existing rules, with no impropriety. Furthermore, during the 20 years of my incumbency in the NAO there were no points raised about the expenditure by the internal auditors and the Audit Committee, chaired by outsiders. Over that 20 years, there were four different firms of external auditors that did the external audit of the NAO—because the rule was we had to change the external auditor every five years—and none of those firms ever raised any issues. I think that shows that all the expenditure was properly incurred, accounted for and audited.

Q53 Paul Flynn: Can we get back to how we train ministers. There was an attempt made with the present government. They went away on weekends with the shadow ministers and so on, and they were introduced to civil servants and told how to be a minister and so on. Clearly there is a feeling, I think from all of you, that there are problems in the ministerial department, the pre-election tension and all the other pressures on ministers to do daft things while they are in government. What do you think we could do? Do you suggest that potential ministers in future governments should now be in training for their roles?
Sir Richard Mottram: I think there are two things we can do. In relation to ministers in the present Government, there are training programmes and development programmes for them. I think that programme could probably be enhanced and that

would be a good thing. In relation to the Opposition, the potential next government, they are, indeed, interested in developing shadow ministers and there are institutions, like, for instance, the Institute for Government which is just being established, that might help them. All of that, I think, would be a good thing.

Paul Flynn: Thank you.

Q54 Mr Prentice: There are a lot of people out there who think about term limits. I had a conversation with a very senior, distinguished employee of the Commons who told me that 15 years was just about right for being a Member of Parliament and effectiveness declined after that period. Sir John, you were Comptroller and Auditor General for 20 years. Richard Mottram, you were Permanent Secretary for 15 years. Is there a case on the administrative as well as on the political side for some kind of term limits?

Sir John Bourn: I advocated for the future—indeed, this is set out in the Bill currently before the House—that a 10-year term would be appropriate.

Q55 Mr Prentice: Non renewable. Yes. And that was a product of your experience. Having been in the job for 20 years, you thought, "Phew" and you do not want that to happen to your successor.

Sir John Bourn: I was not the longest serving C&AG.

Q56 Mr Prentice: I do not believe that.

Sir John Bourn: The first one went on until he was 86.

Q57 Paul Flynn: Prime of life!

Sir John Bourn: I think, indeed, by all the standards that I was asked to follow, I made a success of it. But you will not really, private sector or public sector, now think that a period of that time was really appropriate, and therefore I recommended it for the future that there should be a term and that recommendation that I made was accepted.

Ms Jenkins: Perhaps I could make an additional point. As the civil servant who did leave after 20 years and go and do something completely different, it was the most refreshing and sensible thing I could do. I had become far too immured in the Civil Service, in spite of the fact that I was fighting it a lot of the time. I think there are very limited periods of time in which people are really effective, and especially in large organisations.

Q58 Mr Prentice: Richard Mottram will want to come in.

Sir Richard Mottram: I am not sure I do really.

Q59 Mr Prentice: Well it does not matter.

Sir Richard Mottram: I do want to come in.

Q60 Mr Prentice: Hang on a minute. The point I wanted to ask Kate Jenkins was that if you have some kind of system of term limits, it energises the organisation, it maybe energises the person. When we visited New York a year ago, Mayor Bloomberg had this ticking clock on his office wall, ticking down the four years, and he knew what he wanted to achieve in that four-year period. It was not open-ended.

Ms Jenkins: That is true. You do need the capacity, however, to look longer term. I think you have to get this balance, which is a very difficult one, between the organisation looking strategically to the longer term, but individuals within it moving—and I would prefer them to move in, out, in, out rather than staying in the same place and struggling with the same problems. Becoming "dyed in the wool" is not an entirely fair expression but you do become very institutionalised very quickly by large organisations. Breaking that institutionalisation is thoroughly healthy.

Q61 Mr Prentice: Did you feel, Richard, at any point that you were getting—and I do not want to be offensive—

Sir Richard Mottram: You can be as offensive as you like.

Q62 Mr Prentice: — just stale.

Sir Richard Mottram: I did not actually. I view this slightly differently. In relation to permanent secretaries, we have a view, broadly speaking, that you should not do more than seven years in one job. I think that is probably a sensible thing. You say to somebody, "You're not going to do more than seven years and you might or might not get another job." As it happens, I was a permanent secretary for 15 years because I was appointed to be a permanent secretary very young and I then moved around a number of departments—too many, I think—and you could have different views about whether at the end I was stale or not stale. I do not think that is the problem for the Civil Service. I think you have to be very cautious about the idea that the right answer to lots of these problems is to have everybody moving on very quickly, because some of our most successful private sector organisations have enormous continuity in their senior management. The issue for the Civil Service is not an issue about people generally staying in one place too long. It is an issue, in relation to ministers and officials, about whether they stay in one place long enough. Then, in relation to each individual, you have to keep asking the question: "Has this person run out of steam?" Funnily enough, after 15 years as a permanent secretary, while I was very happy to go, I was beginning to get the hang of the job. I am being serious about this.

Chairman: I detect no staleness in any of you. In fact, I think you are all as fresh as a daisy and we have had a very bracing session. We have gone on for a long time, only because it has been so interesting and we have learned so much. You know what we are after. If you feel you have not yet told us some of the things you really want to tell us or if you develop notions that you think we ought to hear about, please write to us and tell us, because we are shamelessly trying to draw on every good idea that is around and you are a big reservoir of these things. For this morning, thank you very much indeed.

Thursday 16 October 2008

Members present

Dr Tony Wright, in the Chair

Paul Flynn	Julie Morgan
David Heyes	Mr Gordon Prentice
Kelvin Hopkins	Mr Charles Walker

Witnesses: **Ms Zenna Atkins, Mr Geoff Mulgan, Sir Steve Robson CB** and **Mr Matthew Taylor,** gave evidence.

Q63 Chairman: Welcome to our witnesses. We are delighted to have with us Geoff Mulgan, Zenna Atkins, Sir Steve Robson and Matthew Taylor. We have asked you as a panel—and you have all agreed readily, for which we thank you—to help us undertake a rather impossible task probably, which is to step back a bit from the daily grind, to see if we can distil some of the underlying operating principles of good government, things that we may have learned over the years which we could then try to bring together. We have asked you all because, in different ways, you have had different kinds of experience in government and writing about government and observing it, and all of you have said interesting things about it. That is what we would like to tap. I am not going to ask you all to make a speech to start with, if that is all right, because that would keep us going for some time, but perhaps I could start the conversation going. I have been re-reading, Geoff, some of the stuff you have written in your book *Good and Bad Power* and some of the articles you have written around that, and you are really saying, "We've been round the circuit many, many times. We broadly know what makes good government and what makes bad government." Could you tell us what you think they are?

Mr Mulgan: That particular book is an attempt to look at human history and how different governments around the world have thought about goodness and badness. As you say, there are surprisingly consistent views about what governments should do in terms of, essentially, their service to the public: protecting them, guaranteeing their welfare, overseeing justice, but also how they have done that and what service means when it is built into the day-to-day operation of a government. I argue that much of this depends on external pressures on government: the work of committees like this, auditors, inspectors, free media, civil society. In some ways, good government is as much a job of society as it is of government itself, but, equally, governments have to perpetually renew themselves, and certainly their ethics and their sense of mission, or otherwise always risk not only stagnating internally but also being captured by external interests. I see good government as a perpetual battle rather than a simple formula which you just apply.

Q64 Chairman: Against that background of the constancy in this over history, where does government in Britain sit, do you think, in terms of this distinction between good and bad and the ingredients of each?

Mr Mulgan: I think we are quite good at some things. We are low on corruption; able to be fairly decisive (as we have seen in the last couple of weeks); fairly analytical and open to evidence, by comparison with many other governments; not so rigidly hierarchical as many others with which I work around the world; and reasonably focused on delivering outcomes, particularly in the last 10 or 15 years. But we have very many fairly elementary vices as well. Like other governments, but perhaps more than most, we are very captured by the media, by the need to feed 24/7 media; the short tenure of ministers; the urge to have many, many initiatives rather than focused strategies, which is a major problem. We are overcentralised by comparison with almost anywhere else, which means an almost constant problem of competent people having to operate fairly incompetently because they are trying to do too much at the centre and not able to do it. We are still not very good at big projects in government. A theme which this Committee has looked at many times in the past: the bias against practicality and implementation, is still there. Although there has been some progress, you are still promoted faster for writing nice White Papers and minutes than understanding how things work on the ground.

Q65 Chairman: That is a cue for bringing other people in. Listening to Geoff giving that brilliant summary of virtues and vices, how do other people react to that? Zenna could I start with you?

Ms Atkins: I do not think there is anything I would disagree with. I do not want to repeat any points. Some of what I have written more comprehensively about is probably in relation to the last point about some of the practicalities of how you deliver. I think it is affected by a lot of those governance and government issues. Just to pick up on some of those things, in terms of the administrative side I think that we are particularly bad at performance management, for an example. We give people very long tenures, we do not move them out. In fact, if you want to really rationalise your business, as I am doing in some of my non-executive roles within government, the process for compulsory redundancy, for example, is unbelievable. I think we also undermine our strategic efforts at rationalising what we do by making it very, very complicated: we introduce very complicated procedures and sets of rules and regulations for ourselves. The other side of the media side, one of the good things about this government, is that we are very determined to be transparent. We really want people

to understand and see what we do, but at times that limits our ability to do what we know is right because we are more worried about how it will be perceived than doing the right thing. I think that is a real tension with a transparent and open government.

Q66 Chairman: Thank you for that. You have been more robust even than that in some of your reported comments. It is always embarrassing to quote this stuff back at people, but you do say, "I could say without doubt that significant parts of the Civil Service are broken. The machinery of government is not even in the 20th century, never mind the 21st century." This is powerful stuff.

Ms Atkins: I think those comments were particularly about the administrative side rather than the governance side. It is quite strong language, but I came in from the outside and was genuinely shocked at some of the procedures and practices, which are not driven by standard business practices—so we introduce new IT systems and we still produce everything in paper (although we are getting better)—compared with what was happening outside, in my experience. Some of it is about culture as well. It is not just about the machinery. There is a code of behaviour that is acceptable within the administrative side within the Civil Service, and when we try to bring people in . . . . For example, I came in as an outsider, and people expect me to behave like everybody who has been here for years. Those sorts of challenges, because of the way you behave, are quite well defined. Also, there is a real lack of diversity in the Civil Service. By that I do not mean the ticking of boxes: "Do you have a black person and a woman", I mean, genuinely people who have different backgrounds and experiences. It is very difficult to find people who have not been through the straight university system. When they are then making policies that are supposed to recognize vocational learning, there is inevitably going to be a challenge. Those are the sorts of things we have not necessarily been able have the impetus behind to change particularly, and so they remain. We want to do things differently, but in the main we have the same people trying to do them and we have the same methodologies and processes for doing them. It is incredibly process-laden. Part of that is about to this desire to be able to show to be doing the right thing, to be doing the fair thing, irrespective of whether you get the right outcome. Geoff touched on it, but there is a real obsession with projectitis. That can get things delivered, and there are examples in the Civil Service where that has been delivered excellently well, but there are many, many examples of which this Committee is all too well aware when they might have delivered on time and on budget but the quality or the product is entirely wrong because there is not that kind of quality control checking that benchmarks back to experience and external expertise. I think there are a number of things. I do not want to give a diatribe but I could say many more things, probably a lot more controversial than I was quoted there as saying, particularly about the Civil Service but probably less so about government.

Q67 Chairman: Thank you for that. Could I go straight to Steve Robson and ask if that is a description of the administration that you used to work in?

Sir Steve Robson: To a degree, I guess it probably is. I would just pick up Geoff's point. If you ask, "What does government do well?"—it deals with crises well. If you say: "What does it not do well?"—almost anything that involves leading and managing large organisations of people is not done so well. If you ask, "Why?"—I would suggest that if you want to have a well-run organisation you need three or four things. You need determined leaders, you need clear objectives, and you need good communicators of those objectives down the organisation. That should give individuals in the organisation a good understanding of what they have to do to be judged successful. And you have incentives that fit with that definition. In government, we come closest to that situation in handling a crisis, and we come furthest away from it in dealing with large organisations of people.

Q68 Chairman: That is interesting. I would like to come back to that in a moment. Could I just ask Matthew to come in and give his take on this conversation so far?

Mr Taylor: First, in response to what Steve just said, I think one needs to be careful that one does not conflate the problem of large organisations in the modern world with the problem of government. I think all large organisations have problems. As government is full of large organisations it has more of them, but to an extent this is an issue about large organisations rather than simply about government. I broadly agree with the points that have been made. I guess if I had my very short list of things that government is not terribly good at in my experience, it is delivery, as Geoff said, and it is learning. I think government is very bad at learning. The particular characteristic of this is that government does not learn that certain actions have consequences which are inevitable. There are certain consequences which result from regulation or from centralising power or from decentralising power. Ministers and civil servants seem to come along and take an action unaware of the fact that there is lots of evidence that this action will have certain consequences. That does not mean that you should not take the action, but you need to be aware of the consequences. They are then kind of surprised when those actions have consequences. When they regulate, they are surprised that it has perverse outcomes, when there are decades of history from which they could have learned. There is a problem about institutional memory, I think. Also, I think long-term infrastructure is a difficulty. I think that is as much to do with our electoral system and our political culture as it is of government *per se*. The other point I would make is that I absolutely agree with Geoff's contention that, in a sense, the government you get is a reflection of a broader state of society. What is government? Government is the idea that there are things that we should do collectively when we can do them more effectively collectively than we can by

doing them individually. I think there is a broad collective action problem in society at the moment, which is, to put it in incredibly simplistic terms, that there are certain ends that people want aggregately in society which they do not seem to be willing to will. There is lots of polling evidence to support this. I can think of one statistic that three-quarters of people think that climate change is the biggest challenge facing the country but 16% of people say they are doing nothing about it. That is why one of the issues that has come to the forefront of debate across the political spectrum and in government is how does government shape behaviour. The sense is that the problem is how you get citizens themselves to do things differently, because there is an understanding that what government can do without citizens participating is pretty limited. It is interesting to me, notwithstanding recent events, that for once the two major parties agree about what they disagree about. They both agree that getting citizens to do the right thing is a problem. The Labour Government argues that the answer is in enabling state; the Conservatives argue that it is to withdraw the state in order that society can flourish. I think these are both interesting arguments. I think neither of them stands up to much scrutiny in terms of a compelling account that this will make a difference to the way in which people do things. My last point is that one of the symptoms of this broader collective action problem in society, is that government is subject to a pretty dramatic mission creep. If I look at the priorities that Labour had in 1997, they are all still there, and then there is an awful lot of other ones that have been added. I have mentioned climate change, but Britishness or the Olympics. The list of things which any minister would find it difficult not to say were a priority seems to me to be growing year on year as a result of government having to take ever more responsibility for this collective action problem. I think, therefore, in closing, that there is an argument for looking quite radically at the centre and the overload of the centre and the need to do some quite profound things to make the centre manageable.

Q69 Chairman: We would be interested to hear any suggestions any of you have on how we might do things better. I am interested in this proposition that we do not do routine government terribly well but we do crisis splendidly. That is a fascinating proposition, because it takes you to the heart of our system in a way. Is it the case that we are leading the world on bank rescue, that Gordon Brown is the colossus striding the world stage? Because we have a phenomenally centralised system of government that can galvanise into action around crisis. We do not have a Congress that messes you about all the time. We do not have coalitions that you have to broker. We do not have this, we do not have that. In a sense, some of the usually reported defects of our system—the lack of checks and balances, centralisation of power—maybe are the things which make us rather good at crisis.

Mr Mulgan: I do not agree with the analysis that we are very good at crises. A defining feature of British government for much of the last 20 or 30 years was being really bad at crises: the ERM debacle, BSE, and a whole series of matters around the economy beforehand. We rather lacked machineries in fact for dealing with crises well. Some have been created in this decade, COBRA and so on, and the Government has got its act together, but it was after a long period when it was visibly failing on crises—not quite as bad as Bush and Hurricane Katrina but not so far away from it. Some of our routine functions, whether it is things like pension services or the NHS, are by global standards not that badly managed. I think there is a deeper issue here. Most central governments responsible for 60 million people do not try and run large-scale services delivering directly to the public. I am not aware of anywhere in the world that does that sort of large organisational routine function well at that scale. Everywhere else, it is devolved to local government, regional government, states and so on. Therefore, to believe that there is some sort of magic formula which would enable us to turn these huge direct delivery institutions into being competent and efficient is quite a leap of faith with no evidence to support it.

Q70 Chairman: Steve, do you want to defend your proposition that we do crises rather well?

Sir Steve Robson: Yes. It does, of course, depend on what you think is a crisis. The essence of my view of crisis is that it is a time-limited thing. It is a moment of danger of some sort or other. Its temporary nature is an essential part of my view of what we do well in those circumstances where there is a finite amount of time, where there is something to be focused on. To take one extreme, let us say that one of you has put down a private Member's question to the secretary of state. That will amount to a time-limited moment of danger for that secretary of state and his department will bend to it. Equally, I would tend to agree that what the Treasury appears to have done last weekend to address the banking situation is a similar sort of crisis. Why do we do well in those circumstances? I think it is because there is, first of all, a clear objective. Second, you are dealing with a small team, so you are not challenging the government organisation to do what it does badly, which is to deal with large teams, large organisations. You are working with limited time, it is usually a policy issue not a delivery thing that you have to organise. There are very clear objectives, very clear definitions of what success is at the end of it, and there are strong incentives on the members of that small team to deliver that success. Everything is playing to the strength of the government machine in those circumstances.

Mr Taylor: I think it is a job for a historian to work out whether, objectively speaking, we have or have not handled crises well, but I would link what I was saying earlier to why it may feel as though we do crises well, and that is a legitimacy issue. Both internally and externally legitimacy is strengthened by crisis because nobody says, "Why are you doing

this?" because it is obvious why you are doing it. I have a teenage son who does not like me very much and who I am sure would like to leave home. If the house was burning down, I am sure he would do what I told him to do. It does not necessarily mean that a week later he is going to have a stronger relationship with me. I have to say I am slightly overstating it for the sake of argument, but when you have a crisis outside, the public accepts that this is what government has to do and says to government "Get on with it" and internally people give up their departmental silos and their jealousies about their position or whatever it might be and say, "Yes, okay, all hands to the pump." It would not be surprising, would it, that it would feel that government was working well in a crisis, because a crisis gives you the glue for collective action which is very often missing at other times.

Chairman: I am going to bring some colleagues in and we can extend this.

Q71 Kelvin Hopkins: At least three of you have been at the centre of government driving it in a particular direction since 1997. You are not necessarily there now, but you were. We now have the biggest crisis we have faced possibly for 75 or 80 years. It derives from the privatisation, deregulation, and giving freedom to the market that you drove from the centre of government. Are you not guilty of engendering this crisis, the three of you in particular?

Sir Steve Robson: If you want to go into what has caused the credit crisis the world is facing at the moment, I would suggest there are three main causes. One is an incredibly lax monetary policy in several jurisdictions, primarily the USA, for a prolonged period of time, which created a large amount of cheap money which has been invested in assets.

Q72 Kelvin Hopkins: It has been—

Sir Steve Robson: Hear me out. The second reason was the absence of any sort of regulation in the US mortgage market. The third reason was a complacency about risk on just about all the economic players around the place.

Q73 Kelvin Hopkins: I understand the economics of it but I am talking about the government. You, in particular, Sir Steve, have mentioned when you have visited the Committee before that you want private sector incentive structures, you want private people coming into government, and you do not believe there is anything really like the public service ethos. It is all about the business world, really. That is what works. You have been an associate director of the Royal Bank of Scotland. Is that an example of the very success of the private sector?

Sir Steve Robson: No, it is not an example of the successful private sector. I am not quite sure what the quotes you just gave have to do with the credit crunch, but let that pass. I do come back to the fundamental proposition that if you want to have an improvement in performance, the place you look to get that improvement is at the question of changing behaviour, and that is inextricably intertwined with the question of the incentives that the individuals face. I do believe that the incentives faced by a lot of people in the public sector are not ones which encourage them to give their best performance. In Al Gore's phrase: These are good people trapped in a bad system.

Q74 Chairman: I do not want to get wider than we have to.

Mr Mulgan: I have two comments on this. Earlier on in this decade the Cabinet Office looked at crisis management, partly prompted by the view that with foot and mouth disease and various other things, the British Government had not been very good at dealing with crisis. There was a series of conclusions about machineries and processes, but the heart of it was that government needed to be better at spotting the potential risks and crises and planning for them. I think it is an entirely legitimate criticism to make that, although the Government has responded decisively now, very little work was done previously to think through unpleasant scenarios of credit crunches, collapses, and so on. I am pretty certain that almost none of that work was done. The same criticism can be made of some other governments. The second thing which perhaps will change irreversibly now, is that we have been through a long period where probably there was insufficient confidence in a public service ethos, too much deference to business methods in inappropriate fields in relation to policy advice. Being wealthy has been taken as a proxy for wisdom with very many wealthy people involved in advising governments, not on business but on social policy and other things, and, indeed, having a senior corporate position was taken as qualifying people to advise on running large public services. One of the effects of what we are seeing now will be a major culture shift, which will make it look rather odd that for a long period there was quite such deference, not based on evidence, to particular kinds of business and particularly financial expertise.

Q75 Kelvin Hopkins: You said that there was not sufficient, in a sense, debate in government. You did not have, within government and within the highest circles, alternative views expressed. Was it not the case that, particularly under the Blair regime, opposition at every level was squeezed out—within the party, within Parliament, within government, within the Civil Service—because a particular view had taken hold that this was the way to run the world and we did not want anybody challenging it. Was that not the reality?

Mr Mulgan: On some topics there was in fact plenty of internal and external debate. All of you are aware of that. I am talking much more narrowly about the expectation that certain things would carry on in a straight line, in particular our economic growth. It is very hard in any government to really face up to the facts of a business cycle, the likelihood of recession and so on; in part, because of a fear that if you do start preparing and planning for that it may leak out, it may be taken as a sign off lack of confidence in the system. It is not easy for any government;

nevertheless, there should be within the heart of any government some proper argument about less pleasant potential scenarios as well as more desirable ones. On economic policy, as I say, in most governments there is very little evidence that happened. This is not a UK-specific phenomenon.

Q76 Kelvin Hopkins: In general terms, is it not the case that the traditional pluralism in British politics—strong local government, strong Parliament, strong parties, strong Civil Service, all rubbing against each other a bit—has been combed out and got rid of? It started with Mrs Thatcher abolishing the local authorities, which she did not like, and, under the Blair regime, trying to weaken local government as much as possible by forcing them to privatise and outsource, centralising their funding and so on. Any opposition at any level was really not welcome in Downing Street, both under the Thatcher regime and the Blair regime, and this has led to our problems.

Mr Mulgan: I think at least two of us have said that centralisation and overload is a significant part of this story. Whether in fact British society and government did better with economic crises in the 1960s and 1970s is debatable, and I think the Government has responded pretty well in the last few weeks by contrast with previous eras, so it is not entirely a negative change.

Mr Taylor: First of all, I think anyone who has served in government over the last 10 years should be publicly willing to accept responsibility for the fact that they did not read the right people and say the right things at the right time. But I think this is a general social failure, so if what you are looking for is people to say, "Yes, I was in government, and, yes, I should have stood up and said, 'We are heading towards the abyss' and I am having to take responsibility," I guess everybody should be taking responsibility for this. There are three lines. First of all, I think part of what has happened is a consequence of having global economic systems that have massively outrun global governance. Second, reinforcing Geoff's point, I think this crisis points to the need for a genuine capacity in government to deal with strategy and complexity. It is possibly the case that if you have a lot of people working on a national strategy for children's play, you have left people who have the capacity to sit and think about these kinds of big strategic and complex issues. The third point I would make, really reinforcing what I said earlier, is that part of all this is to do with the fact that government finds it hard to say no to people. The debt-fuelled economy was partly to do with the difficulty for government—which I think is itself related to overload but also to broader social things—to say to people, "You can't have your cake and eat it too." Geoff is right when he says there was an obsequiousness to business opinion but there was also a refusal to say to ordinary people, "Spending more than you are bringing in, ultimately is something that is going to get you into trouble. It will get us into trouble as a country and it will get you into trouble as an individual family." Politicians did not want to give that message. Just ask yourself this question: Two years ago or a year ago, had government said, "We are going to regulate to stop poorer people being able to get mortgages," what would have been the newspaper reaction? They would have said, "Hang on. So poor people want mortgages, banks are willing to give them mortgages, all the middle-classes have benefited from the housing boom and the Government is going to step in and stop other people from benefiting from the housing boom simply because they are fond of regulation.". There would have been, I think, an unstoppable outcry against such an intervention. I am not saying the whole crisis is simply to do with unwise mortgages being given to people who could not sustain them, but that is a fairly significant part of it. I think we need to understand the political culture into which warnings would have dropped.

Q77 Mr Walker: I do not think the Government would necessarily have had to have said, "Don't sell mortgages to poor people," maybe the FSA could have taken a more robust role in examining the type of financial information that was being provided to these people taking out mortgages. But that is just an aside. Mr Taylor, you wrote in the *New Statesman,* " . . . . the state is unable to address the issues it most cares about—immigration, hospital infection, overcrowded trains—even as it seeks to expand its influence in other areas, from children's play to obesity plans, that used to be seen as the responsibility of the individual." Why is there a collective loss out there amongst the public in the power of government to address the concerns that matter to them?

Mr Taylor: There is a number of points bound up in that. I have said already that there is this mission creep problem and the Government is taking on new issues where its efficacy is not necessarily clear, whilst it could arguably be better spending its time on issues where it demonstrably is able to have a solution. That is partly what I was arguing there. I think that it is partly to do with this kind of drift in government away from what government does and increasingly focusing on how government can influence people. I think that is necessary but it is leading to a certain amount of confusion about what government is there to do. That, in essence, is what I am arguing. It would take me back to this overload issue. It would take me back to a greater realism in the centre about what the centre can achieve: a willingness to start not with the question "What would it be nice if we could do?" but a question "What is it we think we probably are good at doing?" Unless we are absolutely certain we are good at doing something, it is probably better for somebody else to do it or for it not to be done.

Q78 Mr Walker: You are arguing, I think with some merit, that government should focus more on the basics, the things that really concern people on a day-to-day basis, such as overcrowded transport. We have just heard today that there is going to be very limited new capacity on the trains, for example, so that they are going to become even more crowded.

There is still continued concern about immigration, and that concern may grow as unemployment rises. You think the Government has ceded ground on the big issues of the day, for some reason, loss of confidence amongst its own people, and focused on the peripheral stuff that may make a good headline on breakfast television and GMTV, for example.

Mr Taylor: I am not making that accusation. I think you get cycles do you not? Infrastructure is now back in fashion. I think there is an argument that would say that government should be focusing more on those areas of infrastructure and system. It is taking action in certain of these areas, but transport is a good example, and, in those areas which require the state to engage with people in order, as it were, to shape outcomes with them, that is almost always something that is better done at the local level. It requires a partnership of national/local action. That engagement around changing behaviours, for example, and one of the things the centre needs to recognise, is that it is not very good at that kind of thing. That is one of the bigger changes that I think the centre has to come to terms with.

Mr Mulgan: Clearly, governments do not have infinite capacity. If they try to do everything, they will do everything badly. We have seen shifting patterns over the years. Many governments greatly expanded their economic functions from the 1940s onwards and then had to recreate because it was clear they were not performing it very well, they were not good at running utilities, et cetera. As Matthew said, there has been a fairly substantial growth of government activity in many social fields—care, environment, and so on—and I think we are again asking the question: "Is government able to do all these things well?" Crudely, if you think there is a problem of overload, there is only a few options of what you do. Either you devolve, which is what most countries do: you share those responsibilities with other tiers. You can drop some other things you used to be doing and hand them over to an international organisation or just say to the citizen, "It's your job now to look after yourself." Or you can try to find these halfway houses. In the 1980s and 1990s many looked to regulation as being the answer; that, instead of direct provision, regulation would enable government to retain power but not to have to keep the capacities to do things. That worked reasonably in some fields and really badly in other fields. The behaviour change agenda in a way is another example where its promise to governments is that they can have lots of influence over obesity, learning, and so on, without having to pay lots of teachers, doctors, and so on. The Strategy Unit, when I was there, published five or six years ago an overview of what was known about behaviour change policies, what worked and what did not. The truth is there is still not a very strong evidence-base of what does in fact work, so I suspect, a bit like regulation 20 years ago, the promise is going to be ahead of the reality to square this circle of growing demands and limited capacity. If there is one feature of really good government, I would say it is a degree of focus: knowing what really matters and being willing to say, "We won't try to do everything. There are some things we cannot do now."

Q79 Chairman: There is a bit of a paradox here, is there not? When the new Labour Government came in 1997, in a sense it knew a good deal of this and it took steps to make sure it did not fall into some of the predictable traps. It knew about the importance of strategy and we had the Strategy Unit to do the long-term thinking so it did not get bypassed. You ran it. It knew about the importance of bringing more powers to the centre and the worries about departmentalism, which is why it is sought to strengthen the coherence of Number 10. It knew about the need to focus on delivery, which is why it had its Delivery Unit and its focus on particular delivery targets. In a sense, we have been around this circuit, have we not? We know some of this, yet we are still reciting these as some of the endemic problems of governing.

Mr Mulgan: Many of us in our own lives know what is the right thing to do but do not necessarily do it.

Mr Taylor: When we talk about the new Labour Government and the Blair regime, presumably we are talking about the same thing. Symbiotics are fascinating. One of the things that Labour did not really get—and this goes back to the institution memory point—was that you could pull a lot of levers in the centre with not having a great deal of impact. It is a caricature, but ministers spent time in their offices pulling levers and it was not for a couple of years before anybody bothered to tell them that those levers were not necessarily connected to anything outside. Possibly, in all the preparation for government, that was the one thing I have learned, but if you give someone a new set of toys, it is quite hard to say to them, "By the way a lot of these toys don't work." I would link that to the more difficult point about renewal for governments, which is that, arguably, one of the reasons that governments have to change from time to time is that when you have been in power for a long time it is very hard to say something is not a priority. It is very hard to say, "I'll get around to that," because people say, "You've been around for five years, 10 years, 15 years, you've got to do it now." One of the advantages for incoming governments is they do have a space in which they can say, "No, these are our priorities. We are not going to do those things—we will do them one day" or whatever. It is simply a fact that the longer a government is around the more it suffers mission creep. I think a question for long-term governments is what strategies you adopt to allow you every once in a while to throw off some of the stuff you have built up.

Sir Steve Robson: I do not think this is simply the fault of government. We live in a society where people do tend to turn to government to solve their problems. I fear, also, that politicians as a group tend to encourage people to do that: "Bring us your problems, and we will solve them." This is not simply an issue of the centre, this is not simply an issue of the Prime Minister of the day, this is part of the way that society and politics works in this country.

Q80 Chairman: It would be an interesting kind of politics that said: "Bring us your problems and we cannot solve them."

Sir Steve Robson: It would, indeed, but it would probably be very realistic, and it would probably in the long-run mean that politicians would be held in somewhat higher regard. People tend to feel, "Yes, we brought our problems and you didn't do anything with them," so they do not have quite so much confidence in you.

Q81 Chairman: Can I bring Zenna in.

Ms Atkins: In terms of: "We had great strategies, what went wrong?" and those sorts of issues, if you take for an example some of the stuff in the National Health Service, I got involved as a chairman at the time because I read the 10-year plan and thought it was really rather good. When I got in, I was confronted with a 1.2 million workforce who had not, in the main, read the plan and so did not really know what they were doing, and certainly had not had anything to help to encourage them to buy into it. They thought what was happening was that the name on the top of their name badges was changing again—which had happened repeatedly. I use that example because I think it is the largest example we have. Their behaviour did not change because there was not an investment in getting everybody you needed to deliver that behind the concepts and the ideals. It was a great plan. There were a few key planks, that we managed to charge through, which became distorted priorities and distorted targets because they were not seen in the context because the context had not been invested in. People felt they were pulling levers and not a lot was happening. The other things that is happening across the piece is that small pots of delivery go off and deliver, and they may be set up as the Financial Services Authority, to use your regulatory body, and we do not effectively risk assess centrally what our risks are, who we have delegated the management of those to, and how we are ensuring that they are doing that competently. I think there is a real issue about that. That I can put a regulator hat on is that I do not know how many ministers could really say, "We fully understand that Ofsted is doing what it says it will do competently." I can tell you that we are, and we are going to get increasingly more competent at what we do. However, that whole risk assessment area is weak in big organisation generally, I think it is critically weak within government, and it becomes particularly weak where we have, in government, set a strategy and are allowing others to deliver. Whether that is something very small, like letting the private sector deliver foster placements, and when they go belly up there are suddenly very vulnerable children with nowhere to live, or whether it is something major like not being able to deal with overcrowding on trains because we do not run them and control them, we do not understand how you manage that relationship through good governance, good risk assessment, and good partnership working. We kind of hope it is going to be all right. I do not think we have very good failure regimes: we do not really know what to do when things start to go wrong. That is the same whether it is a school or a primary care trust or the delivery of a railway or anything else. We do not have a clear set of strategies which says that this is what we do when it goes wrong and this is how we put it right again. We have kind of evolved without that. Then, suddenly, we want to centralise it all again, because we did not know what to do when it had gone wrong. We go from 302 to 150 PCTs—and soon it will change again, I am sure—because we do not understand how to manage failure. The flip side of that—as a couple of people have mentioned—is individual incentivisations. It is unbelievably difficult to incentivise good performance in central government: so, if for your own department you say, "We want you to make lots of savings because there is not enough money to fund what you do" and you do not then incentivise them, they make all the savings and there is no departmental benefit. We equally do that to our arm's length bodies or the people we have subcontracted to deliver our vision. Those are a couple of basic things that we could really address and so make a significant difference to how we manage that relationship.

Chairman: I am sure we will come back on some of that.

Q82 Mr Walker: Government might go a little bit red in the face at some of the accusations being levelled at them, because they could say, "But we have devolved responsibility and that is demonstrated by the marshalling of quangos around the length and breadth of the country." Of course, we have all these quangos and they secure huge amounts of hostility from the public, who see them spending large amounts of money and wonder how they are earning this money and why the politicians are not worrying about this: "Why do we have these arm's length relationships?" There are these pressures on the system. I was wondering if any of you have views on that.

Ms Atkins: There are several issues. One is that we do not have the governance of the quangos right. We really do not understand how we assess in central government how they are taking risks with our money. We do not have our roles and responsibilities and accountability right—and I think that applies centrally as well—so we do not understand when they go wrong. When SATs are not marked, or whatever it might be, we do not understand who is responsible and we do not know what action to take and we do not have a failure regime. Often we populate them with people who, because we were not able to get rid of them in our own government departments, we put on an outplacement. So we do not necessarily always pick our best people. There are lots of cases where we have—I do not want to deeply offend everybody in a quango and I am sure they are riddled with some of our best people. Those are some of the issues. Also, we often just dump problems that we do not really know how to sort out on delivery. The worst you can do when you are commissioning anything in the private sector is to give it out half-cocked. If you do not know what it is you want a partner agency to do for you, the last thing you do is go into a contracting arrangement—which is what we are doing with quangos, because we fund them. We do this time and again. We have some vague notion of what it is we might hope they

will achieve for us and we say, "We'll give you the money. Go away and sort that out." Frankly, as a property developer in another life, if I go to the builder and say, "Vaguely build me some houses. Vaguely build me a community," and I do not have any idea what I am commissioning them to build, they will not build what I want, and then I will get the flak for not delivering what was wanted in that particular community. I think there are a number of issues that we could do better. Finally, I would say that we keep trying to kill quangos—which is not always the right thing to do because there are some very good ones—but we never quite manage to stop them, so we just move them around and give them new names. I think that is another thing that we need to get much braver at, saying, "I'm not doing it any more. It is ending. It is stopping," but we just recreate it or move it into another department or another body. We are not very good at saying, "No, we're not going to do it." That is for a whole range of political reasons as well.

Mr Taylor: I want to go back to the point I made earlier about large organisations and that the problem of government is a subset of the problem of large organisations. One of the things it took me a long time to understand in government but was a journey I went on, was to recognise the dynamic nature of policy-making. I went from being interested in whether a policy was clever and ended up asking the question of people whenever a proposal came to me: "What is it about this policy which means that when it is implemented, that which is good about it will grow and that which is bad about it will fall away? What is the DNA of continuous improvement built in?" That is why the Blair regime became increasingly interested in system reform as a way of understanding public service reform. "What are the ways in which it changed the system so that the dynamics within the system create improvement?" One of the reasons I think it is difficult for government in terms of delivery is that the staccato nature of decision-making in government, which is partly to do with the legislative process and partly to do with systems of accountability such as this, mean that it is very difficult to be continually adaptive. Anyone who was advising a large organisation in the private sector or the third sector would say, "You need to understand that you now work in a complex environment where continuous adaptation is a secret to organisational success." But it is very difficult for central government to be continuously adaptive. Picking up on one of the points Zenna made, all policy is doomed to failure on one level because policy is created in one particular set of circumstances and not only do those circumstances change but the policy itself changes those circumstances, which is why it is that regulation produces inevitably perverse outcomes, and why it is that whatever regulations you put in place for the banks now will simply provide the framework for some new exuberance and excess in 10 years' time which will be built around the contours of that regulation. The understanding of the lifecycle of policy, the inevitability of unintended consequences, the need for adaptation, are all the kinds of things which if we really understood them would lead us to say that the centre has to change profoundly, not because people are bad or because the Government is stupid or because it has done things wrong—it has done lots of things very well—but simply because there is a fundamental problem about large organisations in the modern world.

Sir Steve Robson: I agree with almost everything Zenna has said and a lot of what Matthew has said as well. Yes, there is a problem with large organisations but I think there is a particular problem with large organisations in the public sector. Coming back to this question of delegation and the question of quangos: delegation only produces good results, it seems to me, looking at organisations I have seen where it has produced good results, first of all, when what is delegated is a very clear set of objectives and then the responsibility for delivering those objectives is delegated as well and there is clear personal accountability for the success in doing that. One of the things that I think gets in the way of delegation in the public sector in a profound sense—and until it is addressed delegation is more of a slogan than something which is particularly meaningful—is ministerial accountability. As long as you guys in the House of Commons, for example, demand that the Secretary of State for Health is prepared to come to the House of Commons and answer questions of the sort: "Why did Mrs Smith spend eight hours on a trolley in a hospital in Newcastle?" it is going to be very hard for the centre, in this case the Secretary of State for Health and his department, not to want to interfere a lot in the running of the hospital in Newcastle, not to give it clear objectives, not to give it delegated responsibility, and not to leave it with clear accountability, because he is accountable.

Q83 Chairman: Is the implication of what you are saying that we have to have clearer accountability of public servants themselves beyond ministers?

Sir Steve Robson: I think the delegation route is a good route to go. It would bring profound benefit, but it is only going to bring profound benefits if ministers cease to be responsible for accounting for micro issues within those delegated organisations. I think you have to draw back and say that ministers account for the broad policy, they account for the structure that they put in place. So they account for the structure they put in place (Ofsted), they account for the top hires (Zenna), and they account for the incentives they give their top hires—and that is it.

Q84 Chairman: You are arguing that we should break apart the traditional doctrine of ministerial responsibility.

Sir Steve Robson: I am not saying that you should break it apart. I just say that as long as it exists, delegation is not going to bring the benefits it can do because it is never going to be real delegation.

Mr Mulgan: I would agree with Steve on that, but I think that even if you do not deal with this fairly central structural problem which lies behind all the issues on quangos, ultimately, I think there are issues

of culture which could be changed. A lot of what Zenna is talking about is how we have a public service which often does very slow what it should do fast—things around mediocrity in performance management and so on—but does fast the things which should be slow—like endless structural reorganisation as a proxy for dealing with things. I want to mention two domains where I think this is really serious which have not been mentioned yet. One is communication. Government does much more communication than it did 20 or 40 years ago, feeding the media. But it is almost entirely one way and tactical communication, not the sort of two-way and more strategic communication you need if you are trying to take 1.2 million health sector workers through a major process of change or if you want the public to really own responding to climate change. I think our communication machinery is out of sync with what good government needs. The second domain where you see this very clearly is around innovation, where the vice of highly centralised governments is that they innovate on the whole population at once. Rather than doing what we do in science and medicine and so on, where you test things out on a small scale, debug them, learn what works and what does not and then spread them throughout the system, it is still the case—though slightly better than a year ago—that within central government there is almost no centre of expertise, protocols, methods of how to do really good innovation in fields like health, education, and welfare. I think this is going to be a critical issue for governments in the next 10 or 20 years, and it is particularly vital for highly centralised governments, like the British one, which, as I say, tends to experiment on 60 million people at once, which is an incredibly inefficient way of doing it.

Q85 Paul Flynn: Do you still think, after all that was said, after all the preparations of the Labour Government, that the Labour Government, like all other governments, starts from the year zero, generally blind to the lessons of history, and is still producing policies that are evidence free? Matthew, we have had before us Lord Birt talking about the Strategy Unit, a bleak document on drugs policy, which the RSA has talked about. We have had a civil servant, retired, Julian Critchley, who was enforcing the policy but did not believe a word of it. The Strategy Unit has said that the prohibition does not work. We know the result of it not working is that there are at least 1,000 deaths, with the cowardice, the failure of government to implement a policy. Portugal implemented a policy that was suggested by the RSA, suggested by the civil servant, proposed by the Strategy Unit, but nobody takes that policy. There is this great gulf because it would require a degree of political courage to introduce it. The Government is about to take a decision that is contrary to this mountain of evidence, virtually all informed opinion that prohibition does not work, that prohibition kills people. How do we get over that? I turn to Matthew because you have been very much involved.

Mr Taylor: I think your point is the perfect follow-up to what Geoff has just said about communication. I do think that government is able and has demonstrated its ability over the years to get across difficult messages, but only when it genuinely decides that it is going to press that message above all others, that it is going to let all the other messages lie down for a while, relegate those for a while, and it is going to push the message despite what the headlines are on day one, day two, and day three. There is an economics of communication and I do not think government understands that. It does not understand that every new message you layer on reduces the impact of the already existing messages. This is particularly important in an area where change does not just rely upon government action, it does rely upon public action as well. In particular—and this goes back to Steve's point—one of the critical things about the message is that you have to get people's attention long enough for them to understand that there are going to be some difficulties with this policy, so that when those difficulties occur people do not say, "The policy has failed, let's abandon it." The difficulty with innovation in drugs policy is that, unless government is willing to say, "Not only are we going to do something radical, but when we do something radical there will be some things that will happen in the short term which you will not like, but that is the price you have to pay the long-term" people do not hear that. Then, when things do go wrong and newspapers print front-page headlines of the things that have gone wrong, which are anecdotal—there is no assessment of the quantitative scope of these problems—ministers are confronted in Parliament, prime ministers say on a Wednesday morning sitting in their study in Number 10, "I can't deal with this at PMQs. Why has this happened? I want this problem to go away," and you get a retreat from courage. Geoff's point about the need for a smaller number of messages, which are driven through and where people are prepared for the full consequences of major changes in policy, absolutely fits what I think you are saying about drugs.

Q86 Paul Flynn: The point Geoff made earlier on was suggesting that major policies are determined on the need to sell newspapers; it is the newspapers' hegemony that works. We had a meeting here yesterday about knife crime. It was pointed out that knife crime is 6% this year and it was 6% last year. There has not been any great increase that is reported to have taken place. What drove the hysteria about knife crime—and it is spread right throughout the country, the country is having a nervous breakdown, there is a great fear of crime, it is becoming at the top of the priorities in the Home Office—was a media campaign which was generally untrue. There was not a huge increase. And we find that it is not just the mass media; it is the whole media world that is determined by this. Is this a sensible way to run a country, on the priorities of the press?

Mr Mulgan: If you can fix that, I would be very impressed

Q87 Paul Flynn: You have written about it.
Mr Taylor: Nationalise the press along with the banks.

Q88 Paul Flynn: We have made a start.
Mr Mulgan: On the drugs policy, I oversaw the team which did the drugs review you mentioned, which was in many ways a good exercise: gathering evidence, analysing things, and challenging quite a few bits of government about their assumptions. Equally, I think it was legitimate for elected politicians to say, "We don't agree with it. We're going to do something different." Part of the role of those sorts of teams within government—and France is setting one up, Australia is setting one up: the British model is being copied quite a lot around the world—is to offer a wider menu of options, but still to leave it essentially to accountable politicians, perhaps influenced by the media, perhaps influenced by their constituents, to decide to ignore it.

Q89 Paul Flynn: What happened in Portugal, coming back to this example, was that the policy was hugely unpopular amongst the public, the press and lots of politicians, but a courageous politician carried that policy through and halved the number of drug deaths. Certainly that was successful, there is an example to follow. Do you think it is fair to say that politicians are history blind? I will take another example, which is Afghanistan. Would there be a change of policy if all parliamentarians got a 15 minute briefing on the success of previous invasions of Afghanistan, so the last 300 years would be beneficial to policy? There is a kind of blindness to what is the rational answer and people are blind to the evidence there. Is this fair comment on much of the frustration of policy, that it is media driven and divorced from the evidence?
Mr Mulgan: It is partly media driven. I have got a book coming out next month on public administration and I actually use Afghanistan and drugs as an example because one of the more striking experiences for me in government was hearing a presentation on delivery plans for eradicating opium production in Afghanistan. I had never felt such an air of unreality in my life. I had been in the region a bit and it was clear that this had been developed by people who had no understanding whatsoever of Afghanistan, of its history, its culture, the dynamics of power and so on. Nevertheless, ministers committed very large sums of money to following this wholly unrealistic plan and, in the event, opium production actually went up rather than down during the period of the plan. That was partly, perhaps, media driven, but it was also another vice which perhaps we should mention which is when decisions are made in government with no-one in the room who actually understands what would really happen on the ground. This relates to Zenna's point. We need much more systematic work to ensure that the practitioner on the ground with streetwise knowledge is present when decisions are made, and the most consistent vice in many governments is you see very important decisions being made without anyone in the room who really has a deep knowledge of the field being influenced. In this particular Afghanistan example, consultants had been brought in who again, as so often, had very generic knowledge, no deep contextual knowledge whatsoever and, therefore, were almost bound to get it wrong.

Q90 Paul Flynn: We talk about these things in general terms, but the truth is that more British soldiers have died in Afghanistan than died in the Charge of the Light Brigade. They have got a great deal in common, both entirely futile operations taking place in the Helmand Province and the Charge of the Light Brigade. Is it not extraordinary that we have decisions like this on going to war, and the Iraq War was a clear one where the evidence was untrue on which we, all round this table, who voted on the Iraq War had evidence that was mainly fictitious? I would not go so far as to say it was lying, but the evidence put before us was untrue for all sorts of reasons. Is there a feeling amongst yourselves that these decisions that are of enormous importance are not taken on a rational basis?
Mr Taylor: I always say, and quote in speeches, that sometimes we do not have evidence-based policy making, we have policy-based evidence making. Sometimes you do not have evidence. It was I who said earlier that I think there is a problem about institutional amnesia within Whitehall, which I think is partly to do with the political system, the first past the post, everyone out, everything changes kind of system, but it is not just about that because even when I look across 10 or 11 years of Labour it seems there are lessons that do not seem to have been embedded even in that time. I would just say there are times when there is no evidence in a sense because what you are embarking upon is something which is new. I am not disagreeing with what Geoff said about the need to have people who do have a kind of embedded textured knowledge of the issue you are confronting. Government will always involve politicians having to make some decisions on the basis of a hunch or values or a sense that they can achieve something which has never been achieved before. I am not commenting on the individual issues of Iraq or Afghanistan, I do not want you to get the idea that in every decision government makes if only all the evidence was there the conclusion would naturally follow.

Q91 Paul Flynn: About 30 years ago someone said that the overarching ethic of the Civil Service was the unimportance of being right, that those civil servants who got policies right, who were farsighted, were the ones whose careers actually withered, and those who went along with whatever the conventional wisdom was, the foolishness of the day, were the ones whose careers prospered. Is this a conclusion that you have about the Civil Service? Is it still unimportant to be right and unimportant to be wrong?
Ms Atkins: I think what I found surprising coming into the Civil Service was the number of people, so it is very difficult to know whether you are individually right because in every decision — My first thing is where is the scheme of delegation. In the Civil

Service, once you have gone past the ministers are responsible for everything, who is actually making the decisions all the way down the chain? Below a very top level you get very few people who have any sense of what decisions they are actually making, so things go up and down a very hierarchical system. In terms of having sense when you come in, I spoke to the fast-streamers or fast-trackers, whatever they are called, the new Civil Service intake, and to have any sense that you could do something that was right and you would be able to have some personal ownership is lost because very quickly things get very muddied. I was shocked at that because to promote the best people they have to have a sense of where they have made mistakes, and made genuine mistakes, and learnt from them, and where they have made negligent mistakes which you fire people for. The Civil Service does not seem to understand the difference between making a mistake in the name of innovation that was a genuine mistake is a good thing and making a mistake because you were negligent or careless or did not give a monkey's is a bad thing and those are the people you get rid of, or making a mistake simply because you were too frightened to do anything else. It is true to say that there is a wariness of people who deliver and actually have a position because of this code of behaviour that often says, "You are not the ones who lead, the ministers might lead or that might go right up through a hierarchy". There is a very strong wariness of leaders which, again, does not promote the likelihood that you are going to be able to back the winners. In any business, the way to make your business fly is to back the winners and deal with the people who are not part of your winning team. Helping people grow to be winners is a good thing to do, but eventually you realise—I do not want to use the word "losers" but once you have started with winners you have only got losers on the other side of the spectrum—you do need to deal with and move out the people who are not actually helping towards your vision.

Q92 Paul Flynn: Finally, can I ask Sir Steve Robson, you were involved with the introduction of rail privatisation, I understand, and there was a report published by a select committee in this House under the very distinguished chairman, Robert Adley, who was a great expert on the railway, a unanimous report from all parties that was entirely opposed to the fragmentation of the railway. It is one of those reports that stand well if you look back at it in time because virtually every claim they made about what was going to happen did, in fact, happen. It was disastrous in the ways that they suggested. The process was driven by a political imperative that said all other privatisations worked, the rail privatisation would work. I just wonder what part that evidence from the select committee, or other voices at the time who were saying that fragmentation of the railway was not a good thing, played in your work in acting as midwife to bringing in the privatisation?
Sir Steve Robson: All the evidence that there was, which, frankly, in the railway context was not that much, was looked at, all the opinions were looked at, and decisions were taken. It goes back to Geoff's point that ministers hear the evidence and the decisions they take will be influenced by a number of things, not simply the evidence.

Q93 Paul Flynn: Would you be familiar with the report? Is it lively in your memory now, what Robert Adley and the committee said?
Sir Steve Robson: It is not, I am afraid.

Q94 Paul Flynn: Complete nothingness?
Sir Steve Robson: You are asking me to recall a report from a select committee which must be at least 12 years old now. I do not have the breadth of knowledge of a British Library.

Q95 Paul Flynn: You have been involved in the introduction of many things, some of which have been successful and some of which have been disastrous. The FSA and Equitable Life is something that is going to occupy us greatly. Is there any sense of mea culpa from you about anything you did in introducing the FSA?
Sir Steve Robson: No. I think the FSA was a good, distinct improvement on the 10 separate regulatory agencies that preceded it, who now, it tends to be forgotten, were not covering themselves in glory.

Q96 Paul Flynn: No, they were not.
Sir Steve Robson: Hector Sants said that the FSA could and should have done better in relation to Northern Rock and other things, but that does not mean it was the wrong structure.

Q97 Paul Flynn: The cost to the country of a bill of £4 billion is hardly covering the country in glory either and the FSA might well be responsible for that. Do you move from one project to another and that is behind you, there is no sense of any guilt or responsibility when things go disastrously wrong?
Sir Steve Robson: Of course you feel responsibility for what you did.

Q98 Chairman: Just on this question of government and other large organisations, and whether the problems are common, is there an issue, and this comes out of Paul's line of questioning, about the fact that increasingly in government the political side is people who never ran anything in their lives, they increasingly come from a world of the political class and PR, and is serviced by civil servants who traditionally have not had front-end experience either? That is a peculiarity of doing government as opposed to doing other large organisations, is it not?
Sir Steve Robson: I think you are absolutely right about that on both counts. Politics has become a profession that people enter at 20 years of age and do it pretty exclusively, so that is their experience set. It is equally unfortunate that senior civil servants tend to come up a policy route and I think that has been a great mistake. The consequence of that within the Civil Service is that when issues about performance, about organisations, are addressed, they are addressed in a rather abstract and detached sense. There is a lack of recognition of a point we touched

on earlier, that in many ways the key issues about the way organisations behave are to do with the incentives and behaviours of the individuals in those organisations. That sort of idea is a very foreign idea to people who have grown up through the Civil Service policy streams.

Ms Atkins: Can I just respond to that one. In terms of people in the Civil Service who have not had any external experience, I think it is very true that quite a lot have not, but I also see an effort to bring people into the core of the Civil Service to help them understand what might be the consequence of some of the policies and the actions, and that is bringing people into the Civil Service itself or it is putting people from the outside on boards of particular aspects of the Civil Service or delivery authorities. From my own experience in having watched other people it is very difficult not to do one of two things. One is to go native and just go along with what the public sector has done and to buy into, "That's the way it's done here", so your external experience suddenly becomes very devalued. Or the other thing is you are continually banging your head against the wall and are not able to navigate your way through the way things are done. Certainly I think there is a lot of need to address that key level of diversity in the Civil Service. You cannot make it a requirement that a politician has had some previous experience before they stand in front of their electorate. You could concentrate on doing something in the Civil Service that helps people. There is also the cultural element, which is what Paul was getting at. It is very difficult because people are not given ownership of something to then say, "Actually, I put all the evidence in front of you and I genuinely believe, Minister, the right thing to do for the country is this, it is not against your party politics, and I am afraid if you are not going to do that I'm going to have to resign", which is what I do in the private sector. If I inherently disagree with the direction a company is going in, if I am sitting on the board or I am an officer there, I leave. You do not see that because of the impartiality of the Civil Service. They absolutely need to be politically impartial, but I do not think you need to be evidence-based impartial. There is this sense that you just roll down and implement something you think is drivel, so even if you have come from the outside and you know it is drivel you are down this track of having to implement it because it is a ministerial wish. That is a cultural challenge and one that I think having a much more robust performance management framework might begin to address in some ways.

Q99 Chairman: That is very interesting.

Mr Taylor: Try this as a thought experiment. How would it be if you reversed the logic of government, so that instead of lots and lots and lots of decisions being made at the centre, and not many decisions being made at the frontline, in fact it was the reverse? Imagine a world where you said to ministers, "You are only allowed to make one decision a week". I think that part of the problem of government is that ministers are asked to make 20 decisions a day and on what basis can they make those decisions? They make them on the basis of scant evidence, on the basis of reacting to newspapers very often, they are based on the kinds of pressures that arrive at the department. I am not sure that politicians do not have the right skills for modern government because communication, vision, values are important things, but the problem is we do not ask them to do the thing which they came into politics to do, we ask them to do something very, very different from that. In a sense, I think of watching my son's football team on a Sunday. The manager makes two or three big decisions, who is going to be in the team and what the formation is, and then at half-time tries to rally the troops, and that is what they do. The players have to make constant decisions, they are constantly adjusting because the game itself is unpredictable and that is how it works. It feels to me sometimes the public sector is completely the other way round, you have got a football match in which every three seconds the match is stopped in order for the manager to make another decision about what they should do and, of course, immediately it does not go quite the way they think it is going to go and the players are completely demoralised because instead of being able to react to the game they are constantly being stopped. There is something here about if we can change the ordering of decisions and impose upon ministers a kind of discipline for how many decisions they are able to make, maybe that would improve the situation.

Q100 Julie Morgan: Just following on that point, I think, Matthew, you said there should be many less ministers. Could you expand on that?

Mr Taylor: I think there should be fewer ministers, yes.

Q101 Julie Morgan: Fewer ministers. Why?

Mr Taylor: Because if you have got a job you create work to do in that job. This is a broader issue and I do not know whether it is one you might want to look at in your work if you have not looked at it already. I think there is a real problem about the status of junior ministers. What are they there for and how exactly do they fit in? It can be a very miserable existence, I think, for an awful lot of people. It is not a very coherent job a lot of the time and people facing a job that is not terribly coherent generate work and advisers feel they need to generate work for the junior ministers and that adds to this kind of decision-making overkill that I just described.

Q102 Julie Morgan: So you would get rid of a lot of the junior ministers?

Mr Taylor: Yes. Geoff will know better than I, and in fact Geoff may have been the architect of it, there was a thought some years ago which never got very far which was to have fewer ministers in Whitehall but possibly create stronger roles for politicians outside London in terms of regional roles, which happened a little bit at the margins but does not seem to have taken off. You could have given them a greater role in communicating things outside

London but you would have had fewer based at their desks fighting for their little bit of the Queen's Speech.

Q103 Julie Morgan: Any thoughts, Geoff?

Mr Mulgan: I developed a wholly unsuccessful proposal along those lines. The UK is a complete outlier in the number of ministers we have, executive ministers, who therefore do have a whole machinery around them and feel the need to make announcements to justify their existence, and generally clog up the effectiveness of government rather than helping it. The proposal, therefore, was to develop a whole series of non-executive ministerial roles, relating to major cities or regions or particular groups, in part to improve the two-way communication of government. Obviously that has not been taken up, but I think it is very hard to argue that the current number of ministers is actually functional for good government in any way whatsoever. That is one of the ways we are an outlier. In some respects it links to the previous conversation. We are quite an unusual Civil Service in having so little emphasis on delivery and implementation as opposed to words. There has been a lot of progress in the last 10/15 years on a greater emphasis on delivery experience and skills to rise up the hierarchy, many more people moving in and out of the system than a generation ago. I think it is much more effective to bring in talent that way rather than through sitting on boards, which is a very ineffective way of getting other views of things. I would love to see our political parties encouraging people to have done real jobs in local government or elsewhere before going straight into Westminster and national politics. In a way it is up to the parties too to say that they have got both the formation of ministers wrong but also, as Matthew said, their deployment is not right either, that is to say there are too many of them with inherently ineffective and unsatisfying roles. That would be a wonderful topic for this Committee perhaps to take on.

Mr Taylor: Just as Geoff had a plan rejected, I had a different plan rejected which was that you should take junior ministers away from having responsibility for areas of department but you might have junior ministers responsible for delivering a particular project on a time-limited basis. One of the advantages of that is that you might be a junior minister for two or three years, try and deliver something working with a team that is brought together to deliver that, and then you can leave government for a year, renew your contacts with the outside world and that would not be seen as a sign of failure. Part of the problem of the ministerial game is you have got to hold on to your job and move it up to the next thing and too many junior ministers simply see the job they have got at the moment as a stepping stone to the more exciting job they have got ahead. Giving some politicians in government the opportunity to deliver an outcome within a time limit might be an interesting experiment.

Chairman: We have quite a track record of proposals that were rejected as well. I suspect there may be another one in the making!

Q104 Julie Morgan: Can I just ask one more question. I think Matthew said all policy is doomed to failure. Could you give an example since 1997 of a policy, not a crisis intervention, that you think has been successful and carried out in the way you think it should have been?

Mr Taylor: I will give an example of something which I think has both been successful and doomed to failure, and the Government has recognised it just yesterday, and that is the testing regime in schools. I think it was absolutely essential to do something to tackle a very, very long tale of under-performance in schools and to address the fundamentals in schools, and the testing and inspection regime that Ofsted is part of was necessary to address the problem. Over time, that solution stops working, the adverse consequences it generates outweigh the benefits it is delivering, and it has to be dismantled and replaced with something else. It has probably taken the Government slightly too long to understand the adverse consequences, but if you look at the way in which Ofsted has changed its working arrangements over the last few years you will see there has been an evolution of policy. When I say policy is doomed to failure, that is not the opposite of saying that policies can succeed; they succeed and then they fail.

Q105 Julie Morgan: Has anybody else got any examples of that?

Ms Atkins: I think banning smoking in public places was a fantastically brilliant policy. I can now go and eat in restaurants with my kids, including the one who has asthma, instead of making her stand outside. I think that was brilliant. There are elements of lots of policies that are really successful. If you take the policy and, in fact, the legislation that drove through creating a single Ofsted, which was also about reducing the number of inspection regulation bodies across a wide number of things, Ofsted did it and others are moving towards it, so we are getting the new Health and Social Care Inspectorate coming together soon. However, then to presume that this is going to work everywhere and is a solution is where policies also go wrong. One size does not actually fit all. When you have a blanket reduction of 30% off your budget, in some inspectorates that would work brilliantly and in others it would be a disaster. When you suddenly have a realisation that government seems not to be able to hold on to a laptop, a Blackberry or even a piece of paper for very long, you introduce a sudden blanket policy across the whole of Whitehall that you cannot take a laptop out, so every inspection in England grinds to a halt and you have to go through a process of getting special dispensation to be allowed to take a laptop into a school or a children's home or an adult learning placement to do an inspection. It is about actually understanding that one size does not fit all, a policy that is right for one area will not be right for another. That is the problem of big government, there are a lot more complexities that often these blanket dictats do not understand and realise. There are elements of our health policy that have been absolutely phenomenal. People are now living longer in Portsmouth than they ever did, and that

cannot be said to be anything other than a good thing, and they are living a better quality of life. There have been elements that have been hopeless. It is about understanding the sensitivities and the subtleties, but if you want just one brilliant one, quitting smoking in public, fantastic. I love watching all the smokers hovering about trying to be invisible, it is brilliant!

Q106 Chairman: It is interesting that we spend all our time talking about, as it were, the deficiencies of government and spend little time talking about what government gets right. A simple-minded approach would say if only we could identify, as it were, the conditions of policy success, which is your trade, and the conditions of policy failure and apply that in a rather systematic, subtle and sensitive way, as you say, we might make some progress.
Mr Mulgan: But if you look at some individual policy successes, things like smoking bans, minimum wages, congestion charges, those are individual things that have worked and they have usually been based on copying others who have learnt how to do them and they fit within a larger context. It is generally wrong to look for the individual policies, it is where a cluster of policies, a strategy, has been pursued consistently over a long period of time and been adapted to different circumstances, which I think has happened in large areas of social, economic policy, health and environment over the last 10 or 20 years, and government by and large has been fairly successful in achieving the outcomes it wanted to be judged by. The conventional wisdom of 20 years ago, which was that everything government does is futile, doomed, inefficient, just hand it over to business, that is absurd if you look at the real achievements of government on most of the outcomes the public judges them on. Crime is another great example. If you take crime reduction, it is not a single policy which achieved it, there are lots of different things working cumulatively being adapted to different conditions at different levels. The search for the single bullet policy, the single bit of legislation, is asking the question in slightly the wrong way.

Q107 David Heyes: I think there is a theme emerging here which is that ultimately it is politicians who are to blame for the lack of good government. Geoff says that ministers clog up government, Matthew thinks we should limit or take politicians out of decision-making altogether, and I just want to try and develop this. To what extent is our ability to achieve good government limited by our democracy and our electoral system?
Sir Steve Robson: What is good government? As far as I am concerned, good government is advancing the peace and prosperity of the nation, and I think the Western liberal democracies have been incredibly successful in doing that, much more successful than any other form of government I can think of either currently or historically. We should not beat ourselves up too much here. We are not talking about abject failure, we are simply saying can something which has been done relatively well by any historic standard be done even better.

Q108 David Heyes: You are all saying in one way or another if it was not for the politicians we could do better.
Sir Steve Robson: No, I do not think we are saying that at all because they are an intrinsic part of the Western liberal democracy.
Mr Taylor: I am not saying take politicians out, I am saying politicians should focus on the things that politicians are good at, which there is a deficit of, which is going back to the point we made earlier about communication and engagement with people. If you accept the analysis which I suggested at the very beginning that we have a kind of collective action deficit in society, politics is the answer to that in many ways. Unfortunately, in a way, the problem with government is that it is insufficiently political, it is far too concerned with administration and an attempt to technocratically manage this massive organisation and too little concerned with fundamental questions of the leadership of public opinion, winning of legitimacy, building the fundamental capacity in society. I would have more politics in government but I would have politics where it makes a difference.

Q109 David Heyes: That leads to the situation that you criticised before where politicians do not want to give a negative message. You used the words, "retreat from courage". Your example about the cowardice of stopping poor people from getting mortgages—you used the word "cowardice"—I would say that was more an attachment to an ideology that led to that. The Government could have said, "We will boost public sector housing, increase the supply of housing to rent", but the prevailing ideology prevented that. It is not a question of politicians lacking courage, it is the fact that there is an electoral system that the politicians are accountable to. That is the limiting, constraining factor. I repeat my point: you seem to be saying that if it was not for that, we could have good government.
Mr Mulgan: I would say the opposite of that. You are very unlikely to get good government without very active democracy, which is often a pressure, a challenge, the scrutiny of government. Many people do genuinely believe that if only you got rid of politics and the politicians it would all be run efficiently by smart technocrats and perhaps consultants helping them, but that is not the way the world works. There is a creative tension in government and the tension comes from the relationship between democracy, the people and politics, and delivery, management and professionalism. Many of the fields we have discussed where the problems are most acute, ones like quangos, are where there is a deficit of democracy. Over-centralisation is a deficit of democracy, not an excess of democracy. If you accept that you then do have to move on to the question of what kinds of politicians and political

role best link the public with their many needs and wishes and aspirations to the machinery of legislation, public services. I think several of us believe that the political role is not quite working as well as it could be in all sorts of ways.

Ms Atkins: I think most of what I have said has not been about the political side but about the administrative side. I do not think that if you removed politicians things would get better or if you removed democracy. I certainly think there are things we can do to make politicians more effective, not least in my role in the MoD. I have often talked about it. As a new minister going into the Ministry of Defence it will take you at least six months to be able to understand a single piece of paper that is put in front you. The garbage that is written because of this protectionism about making sure nobody can understand what on earth is going on. I am not talking about the secret stuff, that is written in plain English, I am talking about people's names and things. There is some of that. In terms of the politicians, politicians have not caught up with how this generation is communicating to the extent that I think will happen. A lot of politicians feel very remote from young people. Young people are communicating, moving and doing things that to a lot of the people who are there democratically elected to represent them is a completely alien and different world. There are some things that we could be doing to make it more relevant to the next generation that is coming through who are, in fact, operating in an environment that is not naturally very comfortable to a lot of politicians. The other thing is that there is a real challenge across the Civil Service and in government about the speed of life. The Civil Service does not operate at the speed of life that the citizen expects the politicians to act at. That is where I think we are getting to a potential danger point because the rest of the world operates at a certain speed and expects decisions and opinions from you as politicians at a certain speed. The Civil Service still works at a much, much slower speed than that. One of the dangers that we have not yet faced is one of the things I really admire about the Civil Service is its ability to prevent a corrupt government, but unless the speed the Civil Service is able to operate at accelerates to the rest of the world's speed we could be heading towards having some real dangers with our politicians. I do not think we are currently facing that, but we might.

Q110 David Heyes: One of you said, and I forgot to make a note of who it was, that the centre needs to allow local engagement in decision-making. That kind of theme has come out from each of you. How does that sit with democracy and elected politicians because at the local level local government is virtually completely disempowered nowadays, there is not any real political decision-making taking place locally, most of the major decisions about health, for example, are in the hands of quangos and you said, Zenna, we do not pick our best people for quangos? Maybe if we elected them, by definition if you elect people you get the best people.

Ms Atkins: In terms of the non-executive roles in the National Health Service and the elected member roles, I am not sure that you are going to address the quality gap by just electing people. I do not think that elected members of a local government, and I use Portsmouth, are necessarily of any greater quality than the people who serve on the boards of the Portsmouth National Health Service system. I do not think that necessarily gets you a quality issue, but what it might get you is a public engagement issue because they understand a greater degree of control. I would not necessarily agree with you about the quality issue.

Q111 David Heyes: This is the basic tension. Geoff almost shrivelled when I said that you get the best people from elections. I understand that you could quite easily argue the opposite, that the quality of people who are involved in local democracy, locally elected people, could be higher, I do not think any of us would dispute that, but it is the product of having democratic elections, of having an electoral system. It is the same process that produces the political control that you say should be taken out of the decision-making process that Geoff says clogs up government.

Mr Mulgan: I am a believer in rebuilding local government. I think many of the things we are discussing cannot be solved with a highly centralised government of the scale of the UK. Achieving that is no mean feat, it requires a combination of transfers of power, tax raising power, alongside persuading different sorts of people to stand for election and a different make-up for councillors developing their skills, and then encouraging them to bring in other sorts of expertise to help them run their local council because, as Zenna said, simply depending on election does not guarantee you get the right people, the best people, the right expertise. There is no alternative to direct election as the heart of any effective good government. That is the lesson of 100, 200 years of democracy.

Sir Steve Robson: There is a bit more to it than that. If one is going to get delegation within organisations like government, I think you have got to tackle ministerial accountability. If you are going to have elections at other levels, you have got to bring three things together at that point. You have got to bring decision-taking to the same level, you have got to bring financing to that level and democratic accountability so that the three are there together. One of the troubles with local authority today is that those three things are not there together.

Mr Mulgan: I would agree with that. We have been through a great experiment in a way with using managerial techniques, performance management, delegation, principal/agent splits as an alternative to local government for the last 20 years. This long predates New Labour. The promise was this would increase the quality of our public services relative to other countries with much more devolved systems. The basic message over the last 20/30 years of this huge experiment of new public management, and so on, is the countries which implemented those ideas most, like New Zealand, America, Britain, are still at

the bottom of the league tables on public service performance. If you are an open-minded, evidence-based person, you have to therefore say perhaps we learned a lesson from that.

Q112 David Heyes: Because it became detached from democratic and local accountability, that has been the problem.
Mr Taylor: I agree completely with the points about local government. Whenever people use the word democracy as a kind of clinching argument I want to take a sharp intake of breath, because democracy is such an under-theorised concept the way it is thrown around, partly because it is just a kind of hooray word and no-one can possibly say it is a bad thing. Representative democracy, direct democracy, participative democracy, these are all different forms of democracy and often the outcomes of them conflict with each other. We have a representative democracy which is not representative because of the first past the post system. I am not entering into that argument, I am simply saying not only have we got all of these different layers of democracy but even within them there are huge issues. One thing I would say is I wish that we were able to be more innovative about democracy itself, about the ways in which we conduct democracy. One of the other many ideas—Geoff and I both have files of them and can publish one day ideas that never got taken forward—is I would have argued very strongly for an upper chamber that would have been a hybrid upper chamber. I would have had a third of it directly elected, a third of it representing various interests in society, and there should be a public debate about who those interests should be, and a third be balloted from ordinary citizens themselves for the public to understand how they themselves would have responded to the kinds of dilemmas that policymakers face. Democracy itself, it seems to me, is in need of innovation.

Q113 Mr Prentice: Can I ask, as a former Assistant General Secretary of the Labour Party, would you like to see more direct democracy within the Labour Party on policy issues, one member one vote?
Mr Taylor: I am surprised at having to comment in this context but, no, I do not think I would in the sense that the thing about policymaking is it depends what the issue is. It is fine to do that on issues where there is clearly a yes/no choice.

Q114 Mr Prentice: Let us take the Post Office. Should the Post Office have a branch network of 11,500 or should it be allowed to go down to its natural level just keeping the post offices open that make a profit, which is probably about 4,000 post offices? Would that be something that we could ballot members of the Labour Party on?
Mr Taylor: My own view, and it is not because of an opinion on the Post Office issue, is it is very difficult to ballot people on issues like that because the problem is that the issue is not a self-contained issue. For example, if you were to have a more extensive Post Office network which required a greater public subsidy, the issue is where does that greater public subsidy come from. The issue cannot be defined.

Q115 Mr Prentice: Let me try another one. Again, this is direct democracy of members of the Labour Party. What about nuclear weapons, whether we want to spend billions of pounds replacing Trident, would that be a suitable subject for direct democracy of Labour Party members?
Mr Taylor: I think the issue of whether or not the party would adopt a position of unilateral nuclear disarmament, for example, is more amenable to a direct democratic process because it is a more self-contained issue. Again, within the Labour Party you have different forms of democratic process, you have national policy.
Mr Prentice: I am just trying to cut through this because direct democracy has a downside but it has a certain elegant simplicity, does it not? What I want to hear from you is some kind of commitment to direct democracy in the Labour Party on certain issues that are amenable to direct democracy.
Chairman: I am not sure, Gordon, if I may say so, that is quite within the terrain of our inquiry.

Q116 Mr Prentice: Just two questions, if I may, because we are talking about good government. Is the Cabinet a decorative part of the constitution? I saw a photograph in *The Guardian* a couple of days ago and there were a huge number of people around that Cabinet table. Is it a decorative part of the constitution now?
Mr Mulgan: The most decadent?

Q117 Mr Prentice: It could well be decadent, but decorative.
Mr Mulgan: I actually wanted to comment on your previous question.

Q118 Mr Prentice: You had better not because we will be ticked off.
Mr Mulgan: But in relation to government rather than political parties, because I think what Matthew said about innovation in democracy is quite important to improving government, you cannot separate it from the quality of democracy. It is why people are nervous about giving power to local government on turnouts of 10, 15, 20%. There is a lot happening which is not just classic direct democracy, although we do have a petitioning site on Number 10, so you are free as an individual citizen, let alone as an MP, to petition for any issue you want, which is an interesting innovation. Many parts of the UK are involving the public in budgeting decisions, participatory budgeting is becoming fairly mainstream. In Australia earlier this year I was involved with what the Prime Minister there did in gathering 1,000 people for a weekend in parliament to discuss the big issues facing the future of the country. Equivalents happened in every town, every city, schools and so on. It was a quality of democratic conversation which I have never seen in the UK. Obama, partly because of the role of social networking in his campaign and his thinking, has

talked very creatively about how if he wins the presidency in America a different kind of democratic conversation might sit alongside the US Federal Government. This is important territory to look at. On Cabinet specifically, Cabinets in Britain have been decorative at certain points and I suspect at other points, when a prime minister has less power, have become very, very important. I was glad that last month we did see, at last, another innovation in Cabinet government, borrowed from Australia again, which was the idea that Cabinet should actually meet in other parts of the country and when they meet in Birmingham, or perhaps in the future Glasgow or Newcastle, the members of the Cabinet actually use that occasion to have a discussion with the people of the city and the institutions about what is happening on the ground. Both of us proposed this many, many times over the last 10 years and eventually in September 2008 for the first time the British Cabinet did it.

Q119 Mr Prentice: Can I just interrupt you for a second because you were at the very centre for seven years and you know how things work. One thing that really perplexed me was the 10p tax debacle which really put the skids under the Prime Minister; recovered now, of course. How was it possible for the decision on 10p to go through the system, and we have had evidence from the Cabinet Secretary on this issue, and for the tax reduction, 22p to 20p, to be implemented, and no-one said, "Hang on a minute, there are serious downsides here" There are still one million people who have not been properly recompensed as a result of that policy. Is it not the case that the Cabinet must have been asleep on the job?
Mr Mulgan: Since, I think, none of us were in any way involved with any of those decisions, I will take that as a rhetorical question.
Mr Prentice: You must be astonished because you are an observer of these things. You must be astonished that the system allows a policy, which has been acknowledged by the Prime Minister to have been a terrible mistake, to have actually gone through to implementation.

Q120 Chairman: We could ask Sir Steve on that as a former Treasury man. You are looking at this from the outside now, here is an example of clear policy failure and political failure. Given the magnificence of the Treasury, how could this have happened?
Sir Steve Robson: As to the Cabinet point, it used to be the case, I do not know whether it still is, that Cabinet had very little role in the making of Budgets and was usually told on the morning of the Budget what was actually in it. If that is still the case, it is hard to blame them for any part of the Budget that you did not like.

Q121 Mr Prentice: I understand that.
Sir Steve Robson: How this decision was taken, I do not know. I suspect it was a very well-informed decision about the distributional consequences because the Treasury spends ages looking at the distributional consequences of tax changes.

Mr Taylor: I have two comments on that. I suspect the reason that policy was made goes back to a point that came out earlier on and throughout, which is the Government, like any organisation, can get set in a particular strategy and pursue that strategy—it is the kind of policy equivalent to the Peter Principle—to the point at which it breaks down. The Government had a broad strategy on tax which was to favour people with children and people who were retired as against people who were deemed to be without children and of working age. That was a policy which worked in certain ways up to a certain point and was linked to a broader strategy about tackling worklessness. It broke down with the 10p tax. My only assumption is that politicians were told again, "This is mainly going to affect people of working age without children" and, therefore, the assumption which had built up was that they were not a problem and the solution for them was to have jobs or better jobs. That insight got to the stage at which it ceased to be a useful insight and then it led to what was a disastrous political decision. In relation to Cabinet, my only observation on this is I think the Cabinet as a place where a very large group of people gather together to exchange information and to be given a kind of pep talk is fine, and organisations have that kind of thing, but as a place for making decisions, it is demonstrably problematic because it is 20 or 30 people sitting in a room together. I do think—

Q122 Mr Prentice: Involved in a decision to go to war, for example, is that—
Mr Taylor: I do think, and this is beyond my area of expertise, and I am sure it is an issue you have looked at in other contexts, the Cabinet Committee system seems to be extremely problematic because that should be a place where smaller numbers of people are able to focus on issues in detail. My experience in Number 10 was that the Cabinet Committee system seemed very tangential to what was going on. I wonder whether the renewing of the Cabinet Committee system is still something that is worth looking at.

Q123 Mr Prentice: Before Kelvin comes in, and this is my last question because this is a huge landscape, we could talk about this for 24 hours. Geoff, you have written extensively about renewal, how governments can avoid stagnation and so on. My question is this: would you like to see term limits as a way of forcing parties to renew themselves?
Mr Mulgan: No. There is a question of what is the optimum tenure in different roles. I think for ministers there is little point having less than two years in a job, and I would actually have longer tenures for junior ministers, yet another inefficient feature of our system, and a norm for Cabinet ministers of a whole parliamentary term, which was the intention when Blair first came to office. As for the tenure of governments, or prime ministers, the only term limits which do exist are for representatives, people like you rather than for governments. In other countries I do not think they work very well and at a deep level are fairly

undemocratic in that in a sense they take away choice from the people and give it to constitutions. That said, there are very few heads of government who remain good in their jobs for more than about 10 years but usually in democracies the public realise that.

Q124 Kelvin Hopkins: We have been told by some of the retired mandarins who have been before us that in the 1970s and before typically a Cabinet would see up to 200 policy papers a year and the range of debate would be between people like Roy Jenkins and Tony Benn and everybody in-between. That was a key policy-making chamber, if you like, a forum for the nation. Since then, we are told, they now see typically two papers a year, if that, and Cabinet is made up of leadership loyalists who do not challenge. Is that not what is at the heart of what has gone wrong with government?
Mr Taylor: I think there has been a concerted attempt that was started at the end of the Blair regime and continued into the Brown period which was to engage Cabinet ministers in thinking beyond their brief, in thinking more strategically. There has been a whole series of exercises to try to do that. There is a recognition that the Cabinet, apart from major moments of national decision-making, is little more than an information exchange and a pep talk, and that is kind of a problem. It is starting to be addressed.

Q125 Paul Flynn: We have been looking back on all the things that go wrong in government and the problems are ones that have occupied humanity since the dawn of civilisation. Socrates talked about the guardians and their role in society. I think we have all greatly enjoyed and benefited from what you have had to say this morning, but from your experience how would you regard as the example to follow? Geoff mentioned the tabloids, and probably the best advice we can give to politicians is to urge them to stop taking the tabloids and they should act like Clement Attlee who read the papers only to check the cricket scores. He lived a sort of priestly existence, monastic existence, where very little touched him except the things that he wanted to be aware of. Can you think of examples, particularly from your experience throughout the world, of a leader, a prime minister, whose example we should urge politicians to emulate?
Mr Mulgan: A contemporary one?

Q126 Paul Flynn: Anywhere.
Mr Mulgan: Attlee is not a bad example. Thomas Jefferson also did not read the newspapers and did pretty well for that. Any leader has to be careful about their psychological energy. One of the reasons not to read all the newspapers first thing in the morning is it tends to get you very annoyed if you are leader and certainly distracts you from the things which really will matter two years, five years down the line. Equally, it is very important for leaders and other ministers to carve out enough time in their diary both to think and reflect but also to meet people who they are not line managing to, in a sense, remain in touch with reality. The vice of very busy, very pressured 24/7 modern government is, on the one hand, this pressure to respond all the time, to be too fast actually rather than too slow, and simply not to leave enough time for wisdom and reflection. The good leaders get this, and there are quite a few around the world who have designed their diaries with that in mind. The bad ones are driven by events, driven by those external pressures and cease being masters of their role and just become slaves to external events.
Mr Taylor: In response to this question about an example, I often cite the speech that Kennedy made after the Cuba missile crisis announcing his commitment to the Test Ban Treaty. The reason I cite that speech is it was quite an amazing speech in which he argued to the American people that the issue of whether or not the world would slide towards nuclear disaster was an issue for the American people themselves, they had to decide whether they wanted peace, and it was all very well worrying about the Russians but did the American people want peace. That kind of capacity, at that moment, to make a speech of that kind that connects with people. I thought Barack Obama did it on race when he had the courage to say, "This is an issue for us". I believe what we need more than anything else at the moment is politicians who are able to articulate issues in ways in which we understand the implications for us and we feel part of that issue rather than simply sitting back in this kind of passive/aggressive stance towards decision-makers. That would be my answer to the first question. I do want to say something, because I guess we are drawing to a close, about the importance of this work. I think that the limitations of Westminster and Whitehall, and I think it is both sides, the political and governmental, are these problems are very urgent and I do not think they are simply expressed in terms of overload and mission creep and competence and these kinds of questions. I think that part of the centrifugal forces within the United Kingdom are related to this. My worry is if central Government is not able to become a more effective tool, particularly in relation to communication and connection, doing the right things. What we will see is that in Scotland, Wales and other places, particularly in Scotland and Wales, what people are expressing is not hostility to the idea of the United Kingdom, they are expressing hostility to the idea of being run from Westminster and Whitehall. The consequences of central Government not having a clearer account of its efficacy and focusing on what it is good at and doing it well and communicating, could be not just bad policy-making at the margins, it could have much wider ramifications for the constitution of the country.

Q127 Chairman: I had a slight worry when you were talking a little while ago about how government should be in the business of the vision, the communication, the capacity building and so on, because the question I wanted to ask was what happens to good basic administration? It seems to me that what citizens require of government is

something that does not relate highly for politicians, or indeed perhaps for civil servants trained in the policy tradition, which is rather prosaic good administration so that when citizens have contact with state organisations they have a good experience. Do you not miss that going in this rather high-flown direction in terms of what government should be about?

Mr Taylor: The point is what you see as a contradiction I see as being two sides of the same argument, which is that if politicians focused more on the issues I am talking about and less on the need to make 20 decisions every day and intervene in everything then we would have better administration. On the one hand, we would have better administration because it would be less cluttered and, on the other hand, by devolving power more to the local level, as Geoff and others have argued, we would have better administration because the administration would be more responsive to local people and local circumstances.

Chairman: Let us not take that any further. I hope you all feel that you have said enough of what you wanted to say because we have spoken about many things, albeit rather rapidly. We have found it hugely important and interesting, and we are grateful for that. When the Committee went to New York a year or two ago it was much struck by Mayor Bloomberg in New York City Hall who sat in this open-plan what he called the cattle pen in the middle of this spider's web with all his people around him doing various bits of city government with a big clock on the wall which was ticking down the seconds to the expiry of his term of office. I read in the newspaper that Gordon Brown has been much taken with a meeting with Mayor Bloomberg and is now moving from Number 10 to Number 12 so he can also have a big open-plan arrangement like this, but it has not been said whether he is having the clock ticking on the wall or not. Maybe this is the next thing we will have to look at. Thank you very much indeed for this morning.

Thursday 23 October 2008

Members present

Dr Tony Wright, in the Chair

Paul Flynn
Kelvin Hopkins
Mr Ian Liddell-Grainger
Julie Morgan
Mr Gordon Prentice
Paul Rowen
Mr Charles Walker

Witnesses: **Rt Hon David Blunkett MP, Rt Hon Kenneth Clarke MP, Rt Hon Peter Lilley MP** and **Rt Hon Nick Raynsford**, gave evidence.

Q128 Chairman: Let me call this Committee to order and extend a warm welcome to our witnesses and colleagues. We are delighted to have Peter Lilley, Nick Raynsford, Ken Clarke and David Blunkett. As you know, we have asked you because we wanted people with deep ministerial experience to contribute to this inquiry which we have rather grandly called *Good Government*. The point of it, just so that we are clear, is to see if we can stand back from some of the daily grind to take a rather more reflective look at how we do government, some of the good things about it and some of the bad things, whether we have learned anything over the years and whether we can distil some of that into decent recommendations. You all, in different ways, have thoughts on this and we want to draw upon those today. I do not know whether, knowing all that, any or all of you want to say something very briefly to get us going or whether we will just kick off. Nick, I think you were going to say something, were you not?
Mr Raynsford: I am very happy to.

Q129 Chairman: Do you want to kick off, Nick, and then others will perhaps join in?
Mr Raynsford: I am more than happy to defer to my colleagues if any of them want to kick off but if you want me to start off I will do so. Reflecting a little bit on the questions and the subjects that your inquiry has covered so far it seems to me there are three separate issues that need to be looked at in terms of improving quality of government. Some of those are administrative issues; some of them are political issues; some of them are cultural issues. If I can very briefly summarise what I see as the distinction between those and the priorities in some of those areas maybe that will help start things off. Firstly, I do think in terms of administrative issues we still have a long way to go to improve the way in which we look at legislation for example. The preparation is often too hasty; the scrutiny through the various parliamentary stages is sometimes rudimentary and does not always focus on priorities, and the process by which we then evaluate the impact of legislation—what its outcomes have been—is very hit and miss. There is not a consistent process of trying to learn from experience to improve future legislation as there should be, in my view, to ensure that we keep the process of policy formulation and implementation linked very closely together rather than being done by separate people often in completely different parts of the wood. On the political side I am still very concerned about the speed with which the ministerial office comes to an end, the number of ministers who move around at frighteningly short periods. Just to give an illustration, I had the good fortune of being Minister for Construction in the early years of the current Government between 1997 and 2001. I had four years there and for three years before that I had been the opposition spokesman. So I had a really good period of time, seven years, to get to understand an extremely large and complex industry, about 8 to 9% of GDP, two and a half million people employed in it, responsible for all the infrastructure and buildings that make our society work; a hugely important industry. The minister responsible for that industry has lots of interfaces with the industry. I had the time to be able to get to know people, to understand the relationships and some of the complexities and some of the consequences of legislation on the industry. My successors since 2001 have had a period in office respectively of two years, two years, one year, one year, seven months, seven months. I do not exaggerate; that is the fact. The last minister, Baroness Vadera, was moved in the latest reshuffle; she had only come into that post in February. With the best will in the world—she is a bright lady and so too have been most of the other ministers who have fulfilled that role—it is virtually impossible to get to know an organisation and industry of that complexity in that period of time. I just do not think that helps good government. It certainly does not help people on the outside to believe that a government is trying to understand them and build long term relationships. I do think, on the political side, we can do a lot more to ensure that ministerial office is treated more in terms of outcomes and less in terms of the success of the individual minister in climbing the greasy pole. The third issue, the cultural one, I just think we have to learn the lesson that people expect governments to do too much. It is ever so easy for people in government to claim that they can find solutions to any problems and indeed the media are all the time egging us on to show that we can produce solutions to any problem. In reality the powers of government are limited and a greater degree of honesty on the part of those involved in the political process about what government can do and what it cannot do and also a greater understanding

of the limitations of top down government, understanding the case for greater devolution to the front line and to the locality, and accepting that if that happens there must be more responsibility there for decisions. The example I always give is local government, because if local government really is not responsible for its own spending because central government controls a vast amount of local government spending—about three quarters currently –what chance is there of getting effective local government that really is responsive and answerable to its local population. That depends on government being brave enough to say, "We must devolve more, we must do less but do what we do better".

Q130 Chairman: David, I saw you nodding vigorously at one point in that, would that be your cue to come in perhaps?
Mr Blunkett: My message this morning is: do what I say, do not do what I did! On Nick's point that we indicate to the public and to our colleagues that we can do more than we can do and in fact I have been talking to ministers over the last two days and both of them said, "What would you advise me as an old codger" and I said, "Get across the message that everything in the world is not going to land on your doorstep". I fear that when I was in, I often felt that I had an obligation to counteract the Roy Jenkins' view of the world. When I gave evidence with Michael Howard, both of us agreed that Roy had carried it to extremes, which was that you did a three day week and you hovered above the issues, and private members' bills carried you into posterity with great measures that everybody remembers. I agree with that. The difficulty is that we are now in a 24 hour/7 day a week media age and what is expected on the political side are instant responses and instant solutions. Somehow we need to have a new pact with the media that we cannot always give responses that satisfy; we cannot always have immediate answers. It is a difficulty that is reflected in the administrative side. As you know I have been doing some work with the University of Sheffield Politics Department with Professor David Richards and Dr Helen Mathers. We are producing another missive in the next edition of *Political Quarterly*. We have been looking at what is a dreadful phrase, "the hollowing out of the state". I did a politics degree but I have not come across this phrase. We have shifted—Ken will remember—in the 1980s with the next steps, with the obsession with agencies and then with decentralisation from trying to do too much from the centre to doing things through agencies or through local institutions without any clear accountability either administratively or politically at that level. So what we end up with is secretaries of state standing at the dispatch box declining to answer questions on things that are no longer directly their responsibility without anyone knowing who carries the responsibility publicly and who can legitimately be held to account. To give you an example, if you ask the Department of Health about what a primary care trust is up to in terms of its interpretation of regulations laid down by the DoH because the regulations have been devolved downwards to the PCT, it will be the PCT's fault, but the PCT will tell you that they are only following what they thought were the regulations that the DoH had laid down and the secretary of state at the dispatch box (although the present one I am sure would carry responsibility for whatever he felt was needed) would quite legitimately say, "It's nothing to do with me, Guv". In the end if "it's nothing to do with me, Guv" and it is nothing to do with government and it is nothing to do with us as elected representatives to hold to account those who theoretically have their hands on more than just the distribution of resources, we are getting ourselves in a muddle. I think we need to take a deep breath; we need to try that balance between grabbing and implementing new levers that we tried to do from 1997 because, as Gillian Shepherd quite rightly put it in the Department of Education, she pulled levers that were not connected to anything, so nothing happened. We then move to laying down everything on God's earth and then we have to move back again. So if we could just get the pendulum into the centre, the clock might tick better.

Q131 Chairman: Can I just push you a little bit further, David, before we lose you? You mentioned the article you have written in the *Political Quarterly* and I confess to be a joint editor of that illustrious journal. However, in that article you say, if I may quote you, "The Government appears to have learnt little about the critical nature of reform of the Civil Service after over a decade in office. Partly this can be explained by the assumption that this is a matter for the Government. For its part, the Government assumed that the Public Administration Select Committee would provide alternative scenarios, but it did not." My memory of this period is so fundamentally at odds with that that I am puzzled by it.
Mr Blunkett: Why is it fundamentally at odds?

Q132 Chairman: We spent the last 10 years giving the Government ideas about public service reform in which it showed no interest of any kind.
Mr Blunkett: My criticism was not of the Public Administration Select Committee, you understand Chairman.

Q133 Chairman: What I am really getting at is that Michael Barber—who you are going to mention to us because he was your man and he then went on to be the Delivery Unit man—in his book on his years he says that he thought the great failure of the Government was that it never got to think about serious Civil Service reforms.
Mr Blunkett: That is what I am saying. I do not think we do and I think in the first two years we should have taken it very seriously indeed because delivery is how governments are judged and if they are being judged on something they do not have a grip on then inevitably people become disillusioned.

Q134 Chairman: You are suggesting that somehow you were waiting for someone to give you some ideas about this. We have it from the inside that in fact you had no interest in these matters.

Mr Blunkett: Actually I was being critical of my own party, that my own party has neglected to actually take the issues seriously. Apart from some cursory training of potential ministers in 1996–97 we have not really, as a party, addressed the question at all. I take as much criticism on my own shoulders as anyone else for this. I also make the point that there are historic reasons. In the question you raise—what does the British Government do well?—they do probity well. They do not do being interfered with by politicians in the official sense well. We have been so hung up on this quite understandably that we never wanted to be accused outright of political interference with officialdom, with the Civil Service. Every time there has been any kind of move whatsoever—including modernising communications; when we came in people were still sending press releases out by post never mind fax, never mind embryo e-mails—and when you do that then quite understandably the media rally around with the Civil Service as though the enemy is the politician. We have to live with that but we also have to be brave enough to say that although the capability reviews and the work that Sir Gus O'Donnell has been doing is very welcome and an important step, firstly it should have been done 10 years ago and secondly it should have learned the lessons of the 1980s where Margaret Thatcher did try and modernise. I might not have agreed with everything on this particular front as with others that she did, but actually she did try to get across the message that the Civil Service needed to be in the late twentieth century rather than the late nineteenth.

Q135 Chairman: Thanks for that. Can I just bring Ken in and ask you what you think we get right, what you think we get wrong and what we need to do about it?

Mr Clarke: On the political front I do agree with what Nick said. We have not really, I think, come to terms with the change in the nature of government now in reaction to the 24 hours a day/7 days a week constant campaigning. Government has become a permanently campaigning activity which it did not used to be. It has quite transformed since I first started, but the governments I first observed spent most of their time governing and started thinking about campaigning about six months before they realised an election was due to come forward and there were periods where you could just get on with the job for better or otherwise. That is now quite transformed; it is permanently transformed. I think the present Government transformed it dramatically as soon as they came into office. One of my former civil servants told me that within a few weeks of his first experience he thought the new lot were much more professional than we had ever been. At first he was very impressed by this fantastic determination that the press releases should be more striking and be out more quickly and all the rest of it. It has had a permanent and irreversible effect; any future government will want to do the same thing. However, it has altered the relationship quite a lot between the Government and Civil Service and I also agree that we have done nothing to lower the expectations of the public which are now very, very much higher than they used to be and governments do not deny that they can cure every ill that society suffers from. They go into wider and wider areas. I have heard it said in the Japanese context that this leads to an infantalisation of the public who are led to believe that any problem they face is the fault of their political masters who shall be expected to sort it out in the next two or three weeks. This gives a breathlessness to government which is not very good. I agree with Nick very strongly on the reshuffling point; it is farcical.

Mr Blunkett: Yes, none of us really wanted to be reshuffled.

Mr Clarke: I have had a much reshuffled career and I enjoyed the two which I had a long stint at because you could do something and I regretted the ones where I was moved away, but I never served a few months in office. I would add to that I think it is almost worse—because it happens more frequently—at the junior minister level. I think there is no understanding—perhaps because they have been in opposition for so long, which may be a problem for my party as well if we get back into power—of the importance of some of the ministerial jobs. They are very big jobs. We have both been at the Home Office. The minister responsible for prisons, the minister responsible for immigration, the minister responsible for construction, the minister who is handling the social services portfolio in the health department has an enormous job and it is no good appointing people on the advice of the whips who say, "It is time we had somebody from the North East" or "Joe needs a turn because he's getting a bit troublesome on the back benches", leaving them there for about nine months to a year and putting somebody else in. It has a totally destructive effect. The relationship between the politicians and the civil servants has changed very badly. We have taken to a simplistic length the idea that the politicians lay down policy and the civil servants deliver. That means that the politicians discuss with political advisors, think-tank experts and each other what they should do. When it all goes pear-shaped it is assumed that the administration is failing to deliver these great things. I think that has a lot to do with the changes in the Civil Service. I think the Civil Service has lost its policy role. They will administer things better if they play the key role they used to in the formulation of policy. Frank and fearless advice and actual involvement all the way through in the formulation of policy can spare the ministers an awful lot of chaos and anguish. Unfortunately, I think, far too often policies are produced instantly in response to media and public pressures without the people who are going to be in the department involved in the delivery of it having a proper opportunity to advise, even knowing entirely what is going on, and certainly not being given long

enough to formulate both the policy and the legislation in line with their political masters' wishes. When I first started, they were most reluctant to move things in line with their political masters' wishes. The Sir Humphrey television programme is the best guide to that, but that has now gone completely the other way, where they are expected to deliver things they know nothing about and would not have done if they had been asked their opinion properly at an early stage. It is honesty and probity you should never under-rate. We are one of the few countries in the world that has an extraordinary honest level of government. The sense of public service, I think remains impeccably untouched and must never be damaged. I think a certain disillusionment with the frantic nature of the process they are engaged in has undoubtedly set in. People in the public service always tell you that morale has never been so low, but I think morale is not good throughout the Civil Service at the moment because of the reasons I have touched on. You used to be able to rely on a certain level of bureaucratic efficiency; whatever in the end was decided would be delivered with a reasonable degree of efficiency. That is no longer to be taken for granted. I would quote the glaring examples (which every MP with constituency work will not need expanded on) of the Child Support Agency, things like the section of the Inland Revenue that deals with tax credits. I could go on. A part of the Immigration and Nationality Department until recently—it seems to have been restored—sort of collapsed into a level of incompetence causing hardship to some of the victims that I do not think we ever previously had. I put that down largely to weakened junior ministers or people not staying long enough, but more importantly to over-complicated rushed policies which it was thought would be delivered in double quick time with the aid of some new information technology system that had to be devised at a tremendous rate in order to deliver it. That needs to be reversed as well. We all agree on Civil Service reform. Of course Margaret tried but did not get very far, although it is transformed. We no longer have a mandarin class totally cut off from the outside world, but we have not quite sorted out what their relationship is with policy and exactly who delivers. They should localise delivery. The only thing Nick said that I disagreed with was, as I am notorious among my colleagues, not having a simple trust in local government where I think the problems are worse than they are in central government.

Q136 Chairman: You were talking about ministerial reshuffles, we had some interesting evidence last week both from Matthew Taylor and from Geoff Mulgan, who have both recently worked inside government, who said that we simply have far too many ministers. Geoff Mulgan said that the number of junior ministers is positively dysfunctional for the operation of government. Is that a view any of you share?

Mr Clarke: Totally, yes. It is for patronage reasons that we have so many ministers and we have all kinds of important duties that somebody has to do like answering Westminster Hall debates. I think some of the junior ministers have nothing to do except answer Westminster Hall debates.

Mr Blunkett: It depends which department.

Mr Clarke: Junior ministerial jobs were always like that. Some were fantastically overworked and others really had very little to do so it is a bit of luck when you are appointed or reshuffled. Most people actually want a job where they have something to do but some jobs seem to be almost unnecessary. However, if you had a tighter core of people—without going back to the tiny numbers we used to have—I think you would do very much better, not least because people would have a proper sense of responsibility and accountability.

Mr Blunkett: I do not want to intrude on Peter's time, but could I say that you would need a cabinet system if you had a smaller number of senior ministers.

Q137 Chairman: We may come back to this issue a little later. Peter, what do you have say?

Mr Lilley: On reshuffles and the length of stay of ministers, it is clearly a problem but we should not exaggerate it. I was very fortunate; I was four years as PPS to a chancellor who was in position for seven years, and I then went on to the DTI where I was there for two or three times as long as the average secretaries of state for Trade and Industry beforehand, and I then spent five years continuously at the DSS. At the end of which I had been in post longer than any civil servant working for me had been doing their job because typically civil servants stay in the same job for about two years before moving on (often in the same department, it is true, so they are gaining experience). Ministers do gain experience as they move from, say, two years in one junior post to another. Good government can limit the amount of reshuffles and give ministers the chance to gain experience. On what government does well and what it does badly, it does probity well; it does policy advice pretty well; it does delivery less well; it does project management very badly. I do not have a comprehensive theory of everything as far as reform of the Civil Service is concerned; I do have a number of concrete observations from experience. On policy advice, it is good but it could be made better. The lapses I noticed were that because policy is normally generated when there is a problem—a perceived political problem—officials come up with a range of options which exclude one option. I observed this when I was a humble PPS at the Department of Environment and suggested that we always ought to include this option on the list and it became known as "Lilley's option" and that was do nothing. Indeed, it continued to be known as "Lilley's option" after I had ceased to be in the department, long after they have forgotten who Lilley was, but the option was at least put on the agenda. I was actually a radical Thatcherite and was in favour of radical action where it was needed but

in favour, as a conservative, of not doing anything where nothing needed doing. The option of doing nothing is rarely considered when a policy development is going on because the presumption is that something must be done. It may be that doing nothing is less bad than doing something; that should always be considered. Secondly, ministers are assumed to know where they are starting from. Ministers do not know in detail what the present policy is and how it works administratively in detail. They will be told in detail how the four or five options they are presenting for change are going to work, but they do not know in detail how the existing system works. It is very important that the Civil Service should spell that out. I was not around in my department but I did do a retrospective investigation of the development of the Child Support Agency and I do not think that many politicians were aware that there was something that existed already for the gathering in of support from absent fathers and, with hindsight, it actually gathered rather more than the Child Support Agency did for the first few years of its life and probably than it does now. I doubt that that was spelt out to all those involved. The third thing is that policy is best developed when there are one or two people involved in the committee within the department who are involved in advising ministers who are against the policy. One had the impression from *Yes, Minister* that things go wrong when the Civil Service sabotages things but actually that is very rare. Things go wrong when everybody—ministers and officials—are convinced that this is the right thing to do and then too few questions are asked about how it is going to work in practice. If you have some grit in the oyster, if you have some people on the committee who say, "Actually, should we be doing this at all, will it really work?" and think of all the negatives then the policy is likely to come out better. Fourthly—and I will stop at that point although I have a long list we can come back to—it is much better if you have seen things work by trial either on a pilot basis or elsewhere. I discovered that it was illegal to carry out pilot changes in the DSS and we changed the law so that we could carry out pilot changes and see how things worked in one area before we universalised them. There is another great help in finding out how things work in practice and it is called abroad. Abroad they have tried a lot of policies; some have worked, some have failed. When I used to say to my officials, "But how do they deal with the problem of social finance for housing in other countries?" they would say, "Oh Minister, we could go to the Foreign Office, we could get them to ask all the embassies, there is not a social affairs adviser in most embassies so we will go to the employment adviser where there is or the economic adviser where there is not, and it will take months before we get any comprehensive information". I then pointed out to them, that there was a thing called a telephone which had been recently invented and most foreigners speak English. If you phone up your opposite number in the department abroad and ask if it works you can find out. There is now, I am happy to say after repeated effort, a 20 page procedural document within the Civil Service on how to get information from abroad. It is important that we learn from other countries' experience. They may have made mistakes that we can thereby avoid making. There are a number of ways, even policy advice which we do pretty well, which can be done better in the future.

Chairman: Thank you for that. We would like to hear the rest of your list as we go along. After this rather expansive start—which has been extremely helpful—I think we have to be a bit sharper now in terms of questions and answers if we can, otherwise we are not going to get anywhere. That was brilliant but can we now bring colleagues in and move on?

Q138 Paul Flynn: I think all of you are saying that much of our policy making is evidence free, prejudice driven and hysteria driven (particularly hysteria generated by the press). I would like to ask Peter and David, that for 35 years all governments have been heading in the wrong direction, and you have made clear in the booklet you produced on this that on our policy on control of drugs we have the worst policy in Europe, we spend more money than almost any other country in Europe and we have the worst outcomes. A country that has taken on public prejudice is Portugal, and in Portugal they penalised drugs in 2001 and they now have halved the number of direct deaths as well as all kinds of other advantages. All informed opinion on this subject—from the Strategy Unit at Number 10, from your own evidence, from a former civil servant Julian Critchley (who said he was running the drugs policy but did not believe a word of it and thought it was doing great damage)—says that this policy is not only wasteful but it is killing people and resulting in terrible outcomes. David had the only bit of intelligent policy on drugs, the only pragmatic decision taken on drugs policy possibly in the last 35 years, it is now being reversed on no evidence whatsoever. Is this a general criticism of government?

Mr Lilley: I do not think it is fair to characterise government policy makers generally as hysteria and prejudice driven and information free. The stimulus for policy formation in any case is that there is perhaps a degree of hysteria, there is a problem and the prime minister says, "Gosh, department X you've got that problem, for heaven's sake come out with a policy to solve it". In the case of drugs, I have never been a Home Office minister.

Q139 Paul Flynn: You were a member of the Cabinet.

Mr Lilley: I was a member of the Cabinet, yes. I wrote about it subsequently because I turned my mind to it simply because the issue came up at surgeries, schools and colleges and I found that when I trotted out the defence of the status quo people had the cheek to come back with counter arguments which I could not refute. So I looked into it, and came up with a different conclusion. I ensured that I will never be a Home Office minister in the

future because it is one of the areas where policy is determined by hysteria and therefore you will only get people appointed to the Home Office who are prepared to go along with the status quo, however ridiculous it is. When I was Economic Secretary I was responsible for the Customs and Excise and this was the only time that I did become aware of drugs because I was told with great pride by Customs and Excise who are very proud of their independence, they have existed forever, that their original role was to collect import duties from imports. I thought that was interesting because half of our imports now come from the European Community and are tariff free; the other half come from the rest of the world and used to bear an average tariff of 40% which is now below 4%. Therefore the role of Customs and Excise has diminished dramatically over this long history. What has happened to its staffing levels? I found they had gone up by 25% at roughly the time that its original role of collecting tariffs had diminished because of the war on drugs. At this time happily the relatively short tenure of junior ministers ensured that I was moved elsewhere so I did not investigate further. However, I think it does indicate another area where ministers need to be very strong in dealing with the Civil Service. They will get excellent advice on everything except anything which undermines the rationale, the continued existence of an existing department. You will remember in Dickens he had Sir Tite Barnacle, the official at the Circumlocution Office, who died in office clutching his drawn salary in his hand. There is a tremendous resistance to change from departments whose rationale no longer exists or who should be downgraded. That probably exists in the drugs sphere as elsewhere.

Q140 Paul Flynn: Are you saying that your knowledge of drugs now and your understanding which is advanced from when you were in the Cabinet, is now a reason why it would be impossible for you to serve in the Home Office in the future.

Mr Lilley: I would quite happily serve but I think I can fairly safely predict that, should it ever happen that I am recalled to the colours, it will not be at the Home Office.

Paul Flynn: One politician I remember being very well informed on drugs when he served on the Home Affairs Committee was David Cameron. He had a very advanced idea, not far distant from your ideas, would this disqualify him from being prime minister?

Q141 Chairman: The example is fascinating but I do not want to get bogged down in drugs policy. Is the drugs policy evidence of a wider issue about government itself or is it a *sui generis*—

Mr Lilley: I think it is somewhat *sui generis*. I do not think that is true of most policies in most departments that there is such a feeling that we have to come to some conclusion whatever the evidence.

Q142 Paul Flynn: You can take the evidence of the Strategy Committee, Lord Birt did a splendid report—it was not published but it was leaked to *The Guardian* newspaper—with a very powerful argument that proved that the drug policy had done so much damage over the period and the Government, out of cowardice, out of the fact that they needed to get this drip feed of adulation from the press every day took a courageous decision. That decision is about to be reversed. Were you opposed to the reversal of the decision? What is your opinion of it now, David, as a back bencher?

Mr Blunkett: I think the original decision was taken on the advice of the Advisory Committee on the Misuse of Drugs and the best advice we could receive externally, including what was then the Police Foundation under Ruth Runciman and it did seem to us that it was the right thing to do in terms of placing the evidence on education and the results have been substantial in terms of the drop of usage particularly among young people and that is very encouraging. I think there has been a debate about new forms of cannabis—skunk—and I understand why people respond in a democracy to general feeling which is why I would say this on the general front, that you can make major substantial changes and a change in drugs policy advocated by Paul would be very substantial if you have consensus across the main political parties or you have a tide of opinion running in the country that drives government in that direction. You cannot in a democracy simply say that we have not had the education, we have not got the information out, we have not had the debate but we are going to do it because the consequence of that is that you do not do anything else but you get thrown out.

Q143 Paul Flynn: The bleak message we are getting—Ken used the word "irreversible"—is that the country is being run according to the priorities and selling more newspapers and getting larger audiences for 24 hour news going out and the politicians are enslaved to the need to serve this great monster that is demanding attention and from which the politicians seek approval the whole time.

Mr Blunkett: There are a lot of examples where politicians have taken very brave decisions but they do not appear brave years after, that is the problem, because the world moves on.

Mr Clarke: I do not want to be drawn into the drugs debate. I personally have never been persuaded of the case for depenalising drugs and I am not conscious that that is entirely driven by public hysteria. I have to get up to speed with Portugal. One of the least satisfactory jobs I ever had was when Margaret Thatcher asked me in the late 1980s to coordinate the Government's policy towards drugs. I think I was at DTI at the time but she had asked me as well to coordinate what was then called the Inner City Policy, urban regeneration, and drugs were a problem so I was asked to coordinate drugs. My attempts to coordinate the activities of different departments really got absolutely nowhere for most of the reasons that Peter has described, and it did

cover a lot of departments. The origins of the drugs was covered by the Foreign Office with the support we gave to the Columbian Government and others trying to stop the origins. Then we had the Home Office administering the criminal law. The Department of Health had a very large drugs unit that was dealing with the problems of the abuse of addictive drugs. Customs and Excise in quite an anomalous way was heavily engaged in drugs policy and one of the perversities was that I thought that Customs and Excise doing the bit they did, was one of the most efficient and effective bits we had. It is quite illogical that what is supposed to be a tariff collecting organisation, actually had a heroic little band of people who were really acting as kind of secret agents in the various countries, and were a tremendous source of intelligence, quite the best in discovering how drugs were entering the country. They developed this activity which was very valuable, quite illogically inside Customs and Excise and I hope it has not been destroyed now that it has been moved out. What of course I found was that I could not coordinate anything because of the institutional loyalty of the different departments, all of which—as you are shuffled through departments one always discovers—have a quite different culture of their own, each from the other, totally based on running their bit of the action in the way they always ran the action and they would take no notice of anybody other than a very determined minister of their own when it came to changing anything. It was true of the Inner City Policy as well, coordinating departments in those days was almost impossible. You aroused an instinctive, defensive reaction as soon as you suggested that any of the departments should change its ordinary processes for contributing their part to the whole.

Mr Raynsford: Could I slightly differ with that because I generally agree that there is a serious problem of departmentalitis and resistance to cross-departmental working. But, there are circumstances where it has worked well. I was party to one of those when David actually asked me to take responsibility immediately after 9/11 for the coordination of resilience arrangements in London. That required extremely close working across a huge range of different organisations, not just government departments but outside bodies as well, but because it was seen as a national priority and because there was very strong political support from the top it worked. I do think that is an important lesson, because where there is that commitment to departmental working, I think you can make it work.

Mr Clarke: It is probably just a passage of time. The two roles I was given in the late 1980s were experimental almost. Margaret was initiating things by suggesting that somebody from outside the department should be appointed—junior Cabinet minister as I was at the time—to try to coordinate activities on a particular front. Politics is very different from the late 1980s so probably it has been tried enough now to begin to work when there is some compelling national pressure. I will bet there are still areas of policy where the same old institutional loyalties will not change, and my instinct is that the culture of departments can still be very different. You enter a dramatically different world when you are moved from one department to another.

Q144 Chairman: Does this not make the case for a stronger centre? That was the argument that was put when this Government came in, that it was because of the fragmentation, the difficulties in getting coherence, that there was a deliberate attempt to strengthen the centre which in turn has caused so much controversy.

Mr Clarke: What kind of centre? I would hope that would be interpreted as a stronger Cabinet Office, and a stronger coordination at the top of the Civil Service which went beyond permanent secretaries having lunch in the Athenaeum and some process whereby you were able to pull it together. I do think, being particular partisan, it is a style of politics. It has actually turned into all policy making being drawn into a prime minister's department and I would hope that the prime minister's department should be loosened up. We had enough trouble with the Policy Unit in Number 10 when I was in office. I rather agree with Paul that government often gives the impression nowadays of being driven by a need to get the right headlines in next Sunday's newspapers. I do get the impression that at the centre you have frenetic people with varying titles who actually are driving political imperatives from the centre and making policy too rapidly, slightly scornful of the input they might otherwise get from separate government departments. I would get rid of all that. Cabinet ministers and their departments should be put back more squarely in the centre of policy in their areas including initiation of policy.

Mr Blunkett: There are two comments I would make on this. Firstly, if you have a strong political leader from a big department, and we have the balkanisation of departments now, so there are not that many big departments with big clout inside Whitehall left. I have been in three departments, two of them have been split, one into three and the other into two. I do not know what it says about my competence when I was there but obviously it is taking a lot more to do it. When I was in Education and Employment, there was a clear understanding with the Prime Minister of what the direction would be, and a clear understanding that he would back my judgment in terms of decision. If you can get that, then you are home and dry. Where the real confusion arises is either where people are seeking confirmation from the centre all the time and do not feel they can take steps or the centre do not have confidence in the person they have appointed. You did not have any centralisation of the Treasury in the time I was in government, and to a slightly lesser degree you did not in the Education and Employment and then in the Home Office, but there were clear tensions and they were not sorted out—just to come back to this issue of coordination—by

the process driven Cabinet committees which are considered to be, with some exceptions, a complete waste of time.

Mr Lilley: I have a couple of points on my list on coordination across departments. Historically it is more difficult to get coordination between any two departments in Whitehall than it was between the Soviet Union and the USA at the height of the Cold War. I found two ways which helped; they did not solve the problem but they helped ameliorate the problem. Typically when there is a policy issue which straddles two departments an interdepartmental committee will be set up with civil servants which will spend all its time fighting turf wars because the first loyalty of the civil servant is to its department, not to the Government and they will be terribly afraid that the other department will intrude. If, in parallel with this, you set up an interdepartmental committee of junior ministers, who typically are more loyal to the Government than to their department, they can, working with that committee, make sure it is focused on achieving a concrete end and overcoming differences rather than just ending up in stalemate. So that helps. Secondly, I found that within a department if you wanted to get things done—I call it a war cabinet because it is based on the War Cabinet—towards the end of my reign of terror at the DSS, I was trying to develop a new pensions policy. Others in the department were a bit more reluctant because they knew perfectly well we were going to be thrown out at the next election and therefore this would be rather a waste of time. So I set up a sort of war cabinet working on this which I or a junior minister would meet at the end of every day to see what progress had been made from the previous day. When we got it up to a sufficient level it was then presented in Treasury. Ken was extremely cooperative compared with almost any other minister, because he agreed to appoint officials who served on this war cabinet so they were working together and reporting to ministers in that case on a daily basis. It did get produced and we were able to publish and it was the one thing that, in new policy formation, got any positive response before the next election, but it did not prevent our annihilation. It does show that if you can get officials working together under political guidance you can, to some degree, ameliorate this turf war approach.

Q145 Paul Flynn: Having been in this place for 21 years what strikes me is how much more agreeable, intelligent and reasonable you are speaking to us today than you were as automatons, as ministers. It is an extraordinary change. Government is so far removed from the platonic ideal of the guardians who, in the light of cold reason, are influenced to take their decision. We seem so far removed from what you quoted, Peter, about what happened in the days of Callaghan and Attlee, and there were two occasions where the ministers—one was Roy Hattersley—had some wonderfully persuasive figures that were due to be announced on the day after the 1979 General Election and he was told that he could not possibly announce them, it would be wrong to do that, although it might have persuaded the votes to go the other way. The other example was Stafford Cripps, when someone came to him to announce a possible increase in the cheese ration at the time, and he was so horrified that someone was using the ministerial office for political advantage. He said that whoever this person is if he allowed political consideration to influence his judgment he is not fit to be one of his Majesty's ministers. How does that fit in now where we are all her Majesty's ministers of all parties put political considerations first?

Mr Lilley: You were quoting from the speech I gave to the Civil Service in May so I am inclined to agree with you.

Mr Clarke: We were given strong advice sometimes by civil servants about what could be done and what could not be done. When I was chancellor I spent my time trying to avoid the political pressures of my colleagues on macro-economic policy because we had some quite serious problems to deal with it seemed to me. Ministers at all levels would be firmly told by civil servants, that they had to announce various things or they could not announce various things, during election periods. The permanent secretary would be wheeled out to talk severely to a junior minister and say that he was instructing his officials to do something that was improper. I hope that is still the case. Because of the pressures we all admit we are under in today's hysterical campaigning atmosphere, it is more important that that is done today than it used to be.

Mr Blunkett: I think Ken is entirely right. That is certainly my experience, even for very little things like backing officials when they were right about a press release being political and having to overrule difficulties. It was, in personal terms, a junior minister. So it is still there and it is part of that probity.

Mr Clarke: David Young and I started producing white papers, as ministers do, and we had *Action for Jobs* as our great slogan and we started putting pictures on the covers of the white papers. We went to a tremendous length to insist on this because we were told that white papers had to have a white cover like Hansard with the royal crest in the middle and the title of it. I confess that I joined with David in saying that this was utterly ridiculous and ensured that nobody read them. In my opinion this has now been taken to ludicrous degrees where white papers are a quite useless source of information about what the Government's policy is. Every agency, let alone every government department, bombards my waste paper basket with glossy, illustrated pictures showing ministers and others in happy company surrounded by slogans.

Q146 Chairman: So you are responsible for this.

Mr Clarke: Yes, the thin end of the wedge was probably David and myself and the Department of Employment all those years ago.

Mr Blunkett: Is it not nice to think the politicians did not really used to be politicians.

Q147 Mr Prentice: If I can stick with politicians, we are waiting for the former prime minister's memoirs and we are told he is getting five million, but we do have the former deputy prime minister's memoirs. He spoke about Lord Mandelson having hissy fits and how he could blow Peter Mandelson away. I am just wondering if political memoirs—I am looking at you, David—are an aide to good government.

Mr Blunkett: And I am looking at you, Gordon! I think they shed a light on how people, as human beings, perform, feel, think, hurt. I have had the time read and re-read some of the very interesting memoirs. Richard Crossman's, although three very long volumes, is fascinating. Barbara Castle's very long volumes of 1974 to 1976 I found fascinating because I think it gave a snapshot of what government was like at that time, what ministers felt, how they reacted, some of which is reminiscent of today, some of which is a completely by-gone era. Just to reflect on that, for instance, Richard Crossman's obviously ill-advised announcement about putting the charge for teeth and glasses up at an absolutely crucial political moment in terms of local elections, having forgotten that there was an election taking place.

Q148 Mr Prentice: It is instant commentary now, is it not? When we had Professor Hennessy in front of us he said that we are going to enter into an age of competitive memoiring as the Labour Government draws to the end of its time in office. Is that helpful? Does it break down trust between politicians and civil servants if stuff can be written about intimate conversations?

Mr Blunkett: I would like to just put on record—it is a wonderful opportunity that Gordon has given me—that I have given up writing diaries for now and in the future. However, I do actually think it depends on what is said and how it is said, and although mine were unreadable because they were too long (862 pages was mind blowing), I do think that students in the future will be able to flick through it and look at particular points in time. The great advantage of the 24 hour/7 day a week news for historians like Peter Hennessy is that they can tell whether we are accurate or not. I have read diaries and memoirs where the order of what has happened has been completely reversed.

Q149 Mr Prentice: Do you think it would be helpful for the former prime minister to publish his diaries?

Mr Blunkett: It would be helpful to him, that is for sure. We do not treat our former prime ministers and senior politicians terribly well in this country, hence Harold Wilson's family having to be considerably aided when he was suffering from dementia.

Mr Clarke: I have not chosen to write my memoirs yet; one does not in mid-career! I think it is inevitable that people are to be allowed to produce memoirs if they want. When I was in the Cabinet we were told on one occasion that we had all agreed (which I certainly never had) that any memoirs we produced would be submitted to the Cabinet Office and the Cabinet Secretary for approval and so on largely, I think, to remove criticisms of civil servants if any occurred. I did not agree to that and I regard that as completely silly and I think people should be responsible for what they write. I hope historians do not always believe them. I think the best memoirs are those written sometime after the person has left office. Recollections in tranquillity are better than the instant memoirs which are often just an attempt to carry on the political arguments of the moment. I am always told that if you need the money it is no good to wait. You will only get them published if you do so in the first six months. This is why historians should be cautious; they should realise that people produce them in a hurry because they did not think they would get any money if they left it five years, whereas Roy Jenkins was a big enough figure to do so. I have read colleagues' memoirs which contained what I think glaring mis-statements of fact or recollection, as far as I am concerned—although not too bad, nothing too serious—and far too many of my contemporaries' memoirs could be subtitled *Why I was always right but my colleagues did not understand it at the time* and also taking credit for things which I seem to recall they were against is another rather shameless thing that takes place. The other thing that would be worse for future historians is using newspapers as a guide to what was actually happening. I do fear that the history of our time might not be written with the same accuracy that the historians would like.

Q150 Mr Prentice: We are supposed to be discussing good government and I am interested in instances where Number 10 comes in and overturns the departmental policy because it is chasing the next day's news headlines. I am looking at you Nick now because you told us earlier that you were responsible for construction for seven years and I know you were very upset—at least I think you were very upset—when the Government ditched the Home Conditions Survey as part of the Home Improvement Pack. I just wondered if you could tell us a bit more about that because you obviously wanted the HIPs to be introduced in their entirety but they were filleted by Number 10.

Mr Raynsford: I think it is actually quite an interesting example of poor policy making or poor policy implementation. If I could just go back briefly over the history I think it is instructive. This was a policy that emerged in the very early days of the Labour Government out of a manifesto commitment to look at the inefficiencies in the house buying and selling process. The initial process was, in my view, carried out in an utterly exemplary way. The Civil Service undertook a series of analyses of problems consulting widely with what we now call stakeholders across the sector and reached a consensus view in 1998 that there was a case for reform. It did not involve a kind of instant solution that some commentators had advocated previously like stopping gazumping and things like that, but it did involve trying to put together better information at the early part of the house buying and selling process to avoid delays and inefficiencies later in the

process. That was then trialled in Bristol—picking up Peter's point about doing a trial run—was seen to succeed and legislation was drafted in 2000 to enable this to be brought in. So far so good. That legislation fell with the 2001 General Election; it was half way through and it did not complete its passage and for reasons that I was not aware of (because I was moved to a different responsibility after that election) there was less enthusiasm subsequently for carrying it forward. The legislation did not get brought back immediately; it took three years before it was brought back. That created a climate of opinion in which there was a sense that there was not any political steam behind it. The Civil Service reacted by slowing down on the implementation arrangements which had previously been proceeding well with discussions with all the interested parties. A vacuum was created in which those who had doubts about the policy began to air them. So you saw a change from a policy which had been prepared carefully and well thought through to one where no-one was quite sure what it was all about. When eventually it came to be implemented the minister who was responsible put a completely different gloss on it and it was all about energy performance certificates and efficiency rather than streamlining and speeding up the home buying and selling process. The parts that have been necessary to achieve the former objective have been filleted out. So there was a poor implementation which I think was partly to do with loss of political interest—I do not think it was anything else than that—and also the Civil Service reacting to that by not doing the job that they should have done to have ensured efficient implementation.

Mr Clarke: Prime ministers are entitled to overrule their colleagues and their policy wishes but they should do so in the context of a properly working system of Cabinet government, Cabinet committees and collective discussion. Occasionally all modern prime ministers from Attlee onwards have sometimes put down a firm line and it is wise, as David said, to make sure that you have the prime minister roughly on side before you devote too much effort to developing policy. Today, the obsession with this week's political agenda no longer includes doing what we were all doing a few years ago. Policy should not be dependent on one man, particularly nowadays when, as I said earlier, quite often it is not the prime minister himself, it is some press officer or some political adviser, who has a bee in his bonnet that things should no longer be done in the way the responsible Minister originally planned.

Q151 Mr Prentice: You have written about so-called "sofa-government" and the experience of the Blair years and you would like to see a new kind of code of conduct I suppose.

Mr Clarke: The Task Force set out our views on cabinet government. I do think collective discussion is important because—agreeing with Peter and David—sitting and listening to people who disagree with you is quite a valuable way of improving the policy and you should not avoid it. I have so little faith now that prime ministers of any kind with the pressures they are under are always going to operate a system of Cabinet government and that it can just be left to good will. If you want to see the re-emergence of secretaries of state with some authority and so on, we actually suggested that in addition to the existing Ministerial Code of Conduct which at the moment just applies to scandals, allegations of misconduct and so on, we should have a code approved by Parliament laying down the basic principles that major changes of policy should be introduced by the Cabinet minister responsible who should take them through a process of Cabinet committee to Cabinet, if necessary, and that there should be accountability to something like the Public Accounts Committee to make sure this collective government is operating. All the pressures drive everything inwards to the prime minister and his press secretary in Blair's case, in Brown's case to Brown. I am not being totally partisan, this started before the present government, particularly with Margaret. Her way of making sure that Cabinet committees came to the right conclusion was to have a small group of colleagues who came in on a particular policy to discuss it with her on a kind of sofa-government basis before she took it through the process, but by that time she was getting round the process sometimes and it was her come-uppance. The poll tax was her undoing and it had been classically designed in that fashion.

Q152 Mr Prentice: I have one final question, if I may, and this is to David. We know about Butler's criticism of the decision making process when we went to war against Iraq, were you involved in the detailed discussions, David, or were you kept at arm's length because you were not one of the ministers that necessarily should be involved in these decisions?

Mr Blunkett: I think there were three layers. There were those who were not involved because they did not have a direct ministerial involvement; there were those like myself who had a ministerial involvement in the sense that the Home Office was not just engaged in counter-terrorism at the time but also in that the Home Office then had—it does not so much directly now—responsibility for the whole social cohesion agenda and we had been having to deal with that anyway. There were then a very, very small group of people who were obviously close to the military issues. I was on what became known as the War Cabinet once the decisions were close to being taken and then once Parliament had voted on 18 March 2003. My diaries reflect that I did not have a disagreement with the decision and I still do not; my disagreement was with the Cabinet sub-committee on which I served not really getting to grips with what the aftermath was going to be. That was a difficulty in terms of process which I think is now a consensus; people who write about it now say the same thing. I did not have a grumble about that because actually the days leading up to the decision of Parliament were ones where the military were

being engaged and the foreign secretary being engaged in terms of the interchange with the United States.

Q153 Mr Liddell-Grainger: Tony Blair very famously said he still has the scars on his back from when he tried to take on the Civil Service. Ken has just told us that Margaret got round it by setting up a small committee of colleagues. How do you change the Civil Service? How do you make them more accountable? All of you have said there are structural problems, there are turf wars, there is a lack of understanding, there is a lack of help from officials. Tony Benn tried to stay outside of it and suffered accordingly. How do we change the Civil Service?

Mr Blunkett: I think it is not beyond rocket science firstly to develop the project management requirement that Nick Raynsford started talking about at the very beginning of this morning's session, nor the efficiency drive that Ken Clarke referred to. I remember saying to people dealing with immigration and nationality that they should take a look at the Assay Office (we have four in this country, one is in my own city) where they deal with 13 million pieces of platinum, gold and silver in any one year and whilst they are not dealing with people and the complexity of people the actual process of not losing things—like losing people's passports, forms and written material—could actually be taught to them. If the Assay Office lost what they are dealing with and failed to stamp them correctly or return them to their original owner they would not last very long. There are sources of management and administration that we can draw on much more easily. On the Border and Immigration Agency there are some real improvements, partly because the pressures are much less but partly because they have got their act together. I think there are some very practical steps which involve an interchange with the world outside who are doing similar tasks. The second is actually to accept—I know capability reviews may do this—that you need strong management. You need leadership in the management field as well as in the political field. You need accountability within the system so that people are rewarded and incentives are provided for people who do well. The example I have given before but I will give it again today is where a bill is being prepared and the civil servants working on the legislation, once that legislation has been approved and it has the royal assent, are disbanded whereas in a logical sense they should be given their head in terms of the implementation and if they have done it well they should be promoted in post, whereas there is a kind of pseudo-equality issue which says that you cannot possibly promote people in post in this way because somebody else who has waited long enough should actually have the opportunity of taking it, so you have musical chairs.

Mr Clarke: I think civil servants should be accountable through their ministers. I think the secrecy of their advice and therefore their ability to give frank and fearless advice should be protected. It has been weakened. The Freedom of Information Act has raised all kinds of problems which we have not solved. I think if you are looking for scapegoats that is what the minister is for. I do not think, for instance, select committees should decide they can get past the minister and start summoning senior civil servants to get past him. A senior civil servant should be under a duty, if he appears before a select committee on policy, to just expand the policy of the government even though he or she may personally have advised against it, otherwise the independence of the Civil Service is compromised. Of course civil servants do appear before select committees and they are under a duty to give frank, factual information which can be embarrassing for the minister sometimes, particularly if the government has put out a slightly misleading answer to a parliamentary question and the committee presses the civil servant; that is different. Basically accountability should be through the minister. That is why it is so key that the relationship between the politicians, the political masters and the Civil Service should be looked at. We have all complained that it has got altered under the pressure of events. It has changed; we have gone from one extreme to the other. Margaret Thatcher's Government was a radical government with very clear policies and we followed a government that had been in a period of political stagnation as far as policy was concerned. I think Callaghan was a nice chap and a good prime minister but he had no parliamentary majority, we had the Lib-Lab Pact and they had not been making policies really at all for the previous two years, they did not have any that they could implement. When I first became a junior minister, in the first two departments I was in, there was huge resistance to the fact that the ministers wanted to change the policy. The Department of Transport were at first quite shocked. There were only two ministers for the Department of Transport, Norman Fowler and myself, and they were really rather shocked that we were changing things and did not want to do what the Department had been doing in the name of its predecessors. It took quite a long time and I think that happened all across the board in 1979. When I went to the Department of Health at first I discovered that all my letters explained to correspondents what the government's policy was and then they had a paragraph about the Department of Health's policy. The words were chosen differently according to whether the individual officials agreed with what we wanted to say so they did need more political control. In the case of the drastic health reforms which caused so much controversy in the late 1980s, when we came up with the idea of the internal market and did change things fairly drastically and caused a monumental row, the permanent secretary, when we decided to embark on this, explained to me that he had no officials who could work on this because there was nobody who could be freed up from their existing duties to work on this mainstream government policy. It was because they did not want to do it. There was a policy in the Department of

Health not to upset the BMA and the Royal Colleges or to change things. With the help of my private secretary, I had to gather a collection of half a dozen keen young individual officials who I insisted were seconded to doing this. I could go on to the Department of Education as well. It now seems to me that we have swung over to the other extreme. There ought to be a happy medium in between, whereby teams of Ministers and civil servants are responsible. You have to give the department a sense of ownership and you have to listen to their advice and you must not ignore people who say, "The last time we did this it resulted in chaos" and all the rest of it. I do agree with David's very good idea that it is very nice if, having produced the policy, they were then the key people when it came to implementing it afterwards and it was not handed back to colleagues who did not think much of it when it was first proposed and wanted to really carry on doing what they were doing before.

Q154 Chairman: Can I press you a bit more on this? We are skirting around this question of how fundamental we think any reform of Whitehall needs to be. We had a witness last week, Zenna Atkins, the Chair of Ofsted, someone who has been brought in. She said that the Civil Service is "broken" and "utterly antiquated" and needs root and branch reform. David, in some of the stuff you have been writing you have been saying we have to break the old Whitehall model and do something rather different. I am not sure whether you are all saying that we need some running repairs—a bit better performance management, a bit better efficiency, some of the things we have talked about—or whether we think there is something more fundamental than that.

Mr Blunkett: I would not even go that far, you see, so let me be absolutely rational and calm this morning about it. I do not think that the Civil Service is broken but I do believe it needs radial reform because over the last century things have changed beyond all recognition globally as well as in terms of the way that we operate our democracy and our pluralistic approach. We need to adapt to that rapidly and we need to do so on a rational basis.

Mr Raynsford: Could I add one comment in relation to your earlier question about whether we should not be seeking greater centralisation to avoid departmental division. One of the most shocking moments in my career as a minister was when I heard the senior civil servants saying to me, "We actually think this particular policy is right but we are not advising you to support it because we know it will never be supported by Number 10". In my view that potentially destroyed the relationship there should be between civil servants and their ministers which is a speaking truth to power ethos, saying what they believe was right. I do think that that is the real danger of excessive central control. Central direction on strategic matters is absolutely fundamental if you are to have a government that works, is not chopping and changing and incoherent, but once it gets into micro-management and once it undermines the confidence of departmental officials to really express their views about what is right and on the basis of the collective knowledge of their department built up over a long period of time, then you are seriously eroding the process of good government.

Q155 Mr Liddell-Grainger: Peter made some very interesting comments to start with. We have seen an enormous rise in government use of outside consultants, paid by the state to consult; we have seen an enormous increase in quangos who are unelected and a lot of the time are unaccountable; we have seen an increasing power by NGOs and other organisations like that and because of the media system we have which has been expounded by all four of you, do you think that we are now allowing certain functions to go out to people who are being paid to come up with a solution as a consultant under pressure from other people which is undermining part of the way the Government functions?

Mr Lilley: Yes, I think that is true. I did not personally have much experience of working with consultants, that is what the Civil Service is for. It is a very good machine. It may occasionally suffer from inertia but if so what you need is a strong minister rather than some radical reform of the system, if you have a minister with no coherent agenda who is weak and vacillating and is moved only by the fear of tomorrow's headlines, the Civil Service will take over and thank heavens it does. It is better to have coherent and consistent government from the Civil Service than incoherent wavering all over the place from a minister who has no clear idea of what he wants. You initially mentioned Tony Blair and the scars on his back. Tony Blair was very unusual in that he was a powerful minister but who arrived with no agenda. That was his problem. So he undid all Ken's reforms in health and education and then suddenly realised he wanted to put them all back in place. He was Tony Duke of York, he marched his troops up to the top of the hill, abolished grant maintained schools, the internal market and so on and then spent the rest of his period replacing them as he marched down again. What we want to focus on as far as the Civil Service is concerned is concrete areas where it can be improved rather than making grandiose statements about it all being broken and needs to be repaired. It is clear from experience under successive governments that the Civil Service has a very poor track record in project management of major projects. Something ought to be done about it. I ran the largest department in government, the Social Security Department—by far the largest department—it had 100,000 people roughly spending £100 billion. It occasionally had huge projects. There was only one person who could manage large projects. When I was involved in a joint project with the Department of Employment they had none; I had to lend them my guy to get it done. Eventually with the permanent secretary we went to the head of the Civil Service and said that this was absurd. Why does it happen? Why do we have such poor project management skills? I think it

is partly an endemic British thing because the same problem occurred in the oil industry in the 1970s when we were developing the North Sea; there was a lack of project management skills in this country which had to be developed and imported from abroad and then developed indigenously to handle those huge projects. In the Civil Service it is magnified by the fact that the way to the top—the top is policy advice—is showing that you are good at policy advice, not at administering things well. It is having general abilities rather than specific skills and training. We have to try to give people the opportunity to manage things for a period of time, when they learn to manage, to deliver, to be assessed by their delivery rather than just by giving advice. They will give better advice, I suspect, if they are good managers, administrators and project deliverers than if they have not experience of that. The other is that our recruitment since the Northcote-Trevelyan reforms has been of generalists, of very high calibre mind you, but you could argue that the Civil Service has been guilty of siphoning off too many high calibre people, some of whom would have been better deployed in improving our industry which, until the 1960s, had a policy in many areas of not taking graduates. The whole ethos of the Civil Service has been to sideline specialists, not to make them mainstream so that if you knew a lot about some engineering skills you could never go on to be the permanent secretary of the Department of Trade and Industry. We do need to try to mainstream specific skills. I am a firm believer that if you are very good at one thing you are likely to be quite good at others. If you start off being quite good at everything you are likely to be not very good at anything, so we need to have more integrating into the main stream of the Civil Service of the specialist skills.

Mr Clarke: Can I say that I agree with everything that Peter said and I think the point of Ian's question was very good as well. Consultants make their money by telling the client what they want to hear. You do not want a Civil Service like that and it is not the best source of advice. However, I do think it is important that you get round the problems that Peter eloquently described—and I agree entirely—by altering recruitment. It has probably changed. If you need particular project skills you should recruit people in at the right level with the relevant experience from outside and you should expect your civil servants in their career development to leave the department and go to get some outside experience. The two labour ministers either side of me will be more up-to-date than me, but Margaret insisted that we try to introduce this in the 1980s and again there was the most ferocious resistance. We had a very good guy in the Health Department who spent two or three years outside—he went to some health related industry because we had seconded him there for work experience and they gave him a job—and when we wanted him back again, the Department would not take him back. So far as they were concerned he had taken the shilling; he was no longer a public servant; he had gone out into commerce and we could not have him back again. They resisted the idea that if an appointment came up at, to use an old fashioned term, at deputy secretary level, we had not got anybody in house very good who could do it. Ministers of course should never control the appointments but you can float the suggestion that we really need to advertise this more widely and get somebody from outside. In our day (not in the whole of the Civil Service, I am exaggerating to make a point) there were quite a lot of the establishment who thought this was quite shocking that you should get people from outside with relevant experience.

Mr Raynsford: I think it has changed quite a lot. My experience is that there was a very healthy movement in and out, particularly when I was a local government minister we had a director general in the department who had been on secondment to the Local Government Association for several years before, we had other staff who had outside experience from a business perspective who understood the way in which procurements could be improved. It felt like a good team. It started very much as a group of specialists with policy analysis as their absolute overriding skill but I do think that has changed now.

Q156 Chairman: Given the fact that ministers are held constitutionally and politically accountable for the performance of civil servants, do you think there is a case for having a somewhat greater ministerial involvement in the appointment of some of these people from outside?

Mr Clarke: I had two civil servants sacked, or I thought I had. One Deputy Secretary was a great shadow over the whole department, somebody who had just got over-promoted. One was simply doing the opposite of what he had been told to do; the other was just not doing anything. It was a very, very long and difficult process and I later discovered that both of them had actually been moved sideways to some other part of the Civil Service on the basis that they obviously temperamentally could not get on with the particular secretary of state. I do not altogether object to that because I do not think the ministers should just be able to say "I'm having him and him". I once succeeded a minister who marked my card for me; he had worked out who he thought the Conservatives were in the department; he said that these were Conservatives and these were the people who people who were not, information which I did generally regard as utterly useless, I could not care less. My own opinion was that he was wrong; I did not think I had a Conservative in the department by the time I left it, but it did not matter as I had some very good officials. He had got the completely wrong idea about how to approach it. It would be dreadful if political patronage crept in and there is no doubt, on either side—this has nothing to do with who is in power—the weaker ministers would start introducing an element of patronage. There is already a danger that the more careerist civil servants start giving you advice you want because they think they are going to get on more smoothly

and catch a selector's eye. I think ministers should have the right to go to the cabinet secretary and say, "Up with this I cannot put; my objection to X is he is no damn good".

Q157 Chairman: I understand that, but what I am asking really is whether you think, knowing all that you have just been saying, there is any case at all for greater ministerial involvement in appointments, I am thinking about external appointments.

Mr Blunkett: I think we moved from one extreme to the other with the Wickes review. We shifted from where the secretary of state for outside appointments could actually determine it and there was a danger of jobs for the girls and boys to a situation where they are determined by the Civil Service themselves. The commissions even that have been set up to review appointments are commissions that are appointed by the people who know them and want to appoint people in their like mind I am afraid.

Mr Clarke: Commissions can be a nuisance; I experienced that towards the end when we had them. Buggin's turn then sets in. I do not know how you recreate the best system which is a kind of old club-land world where the secretary of state could not appoint or sack anybody, but he could have quite an input sometimes. If the permanent secretary discovered he had a problem because the secretary of state did not want someone to do a particular job or wanted somebody to move out of it, it was sorted out in some common sense way. I have never had this trouble but I know cases where the permanent secretary was hopelessly unsuitable, the two of them could not get on and then in this marvellous Athenaeum Club way the cabinet secretary would be asked by the prime minister to sort it out. There would be a little reshuffle at the top until he had two people who could actually get on and work together. Funnily enough—it sounds very, very quaint, old-fashioned, Tory and all the rest of it—at its best that system worked very well apart from this terrible resistance to accepting that somebody really ought to be sacked which is very difficult to get through.

Q158 Mr Walker: You mentioned Parliament earlier on in your opening statements. I would be fascinated to know, as a still relatively new Member of Parliament, what is the point of Parliament now? We have more power focussed in the hands of the executive; we have Cabinet ministers now excluded it seems from decision making in many areas by the sort of inner coterie of advisers to Number 10. Anybody in Parliament who does not go with the flow is quietly taken aside by the whips and told that perhaps their career will not be best served by their position. What is the point of Parliament now? Is it purely a supine lap dog?

Mr Lilley: I have been in Parliament for 25 years and I can say it is less a supine lap dog now than it was then. Back in the late 1950s and early 1960s, Hailsham described it as an elected dictatorship and that was nearer correct then because the whips did have absolute control, there were very few rebellions; it was the very antithesis of a nineteenth century parliament. It is now getting back a bit more like a nineteenth century parliament, where governments even with quite substantial majorities face Members of Parliament who do not always do as they are told and have to negotiate with other members and other parties to get measures through as we have seen recently in this Parliament. Why is that? I think it is partly because Members of Parliament are more in contact with their electorate than they used to be. I get letters from my electors; I send them back some policy thing, I send them back the standard reply from the party about why it is a good thing. They now have the temerity to reply contracting certain points and very often when I read their letters I find that they are right and I have no counter-arguments. I do not think I am alone in this. Quite a lot of us find that actually the party line is questionable so Parliament now is more difficult to control and has more influence than perhaps was the case 25 years ago, so do not give up Charles.

Mr Clarke: I do not agree with a word of that. It is true on votes, there is more rebellion on votes because in all parties party discipline has broken down and I am glad to say I exercise my right as an elder statesman to be rebellious, but hopefully never on more than one subject at once. The old party discipline has gone. You were bound to get us reminiscing, but the Parliament in 1970 was nevertheless more powerful than it is today although everybody voted with the party. I was in the Whip's Office. The system has gone, can never be recovered. You really had a hard job sometimes trying to persuade your backbenchers that they were going to support what you wanted to do, equally telling a junior minister that he was not going to get through Parliament what he was proposing because we could warn him from our contacts that he was going to have a major rebellion and we did have big rebellions. The European Communities Bill, there was a big one in that Parliament. The job of the Whip's Office was to stop the government doing things that our knights of the shire who were totally independent and could not care less about having a future career as ministers or anything else actually told us we were not going to do it. The parliamentary process is infinitely weaker than it was. You may have rebellions in votes and I will just refer you to the *Task Force* pamphlet on the House of Commons reform. I think Parliament has no control over its own business, the select committees need to be made more powerful, the chairman of a select committee should be elected by secret ballot of the whole House. Most Members of Parliament agree with this but somehow at the moment the system has stopped us ever introducing it. I hope that after the next election, whoever wins, we will have some radical reform of the process. I agree with Peter, today's Members of Parliament want to be more independent. I would describe them as being more populist in their reaction to their constituents quite often, but that is what they are for, that is all right. The process has stopped that. We must certainly stop governments treating Parliament as a kind of permanent press conference of an embarrassing kind

which I think is what has crept into the political system and leads to the government's determined attempts to stop Parliament debating things where it makes a nuisance of itself. I quite accept that these are things that are readily said by those who are in opposition and accepted more reluctantly by those in power. I hope that if my own party gets the chance we will do something.

Mr Raynsford: I just want to add one other observation which is that I think Parliament has exactly the same problem as government and that is overload. It tries to do too much and it is not very discriminating about focussing on the things where it can really be effective and the issues that are really important. A great deal of parliamentary time where there is freedom for Parliament essentially to determine priorities goes on the short term, the meretricious, the immediately popular in the media agenda items rather than, for example, detailed scrutiny and analysis of accounts, how actually government departments are spending money which I think is often woefully inadequately researched. I do think the scrutiny legislation could be done very much better if Parliament organised itself to take it seriously rather than going through the motions which appeals to Parliament as well as to government because it allows playing to the gallery, it allows the short-term to prevail, but then government gets its way. I do not say that Parliament is blameless in this; I think Parliament has been too acquiescent in an agenda where it does too much and does not do it well enough.

Q159 Mr Walker: I would just say this without meaning to curry favour, you are four very good parliamentarians, you are good attenders. It does seem there is a lack of confidence in the chamber. I was sitting in a debate, I think, with Ken Clarke. It was the first time we had had a really good opportunity to discuss the banking crisis and the business collapsed at 9.15 at night; we should have been there until four o'clock in the morning or five o'clock in the morning. It was a staggering indictment on Parliament I thought and it was not a good indictment.

Mr Clarke: The only place you can keep your views secret in the modern world is in the chamber in the House of Commons. I always give my more candid views there. They will leak out of any other place where I express them. It is partly the way MPs see their role: if it is not going to get in the newspapers or the local newspapers they are not going to do it. Charles and I were agreeing, as he said, that because of the coincidence of a banking bill being raised it was possible to talk about the whole nature of the banking crisis and we ran out of speakers because there were not enough MPs, there was no vote at the end so not enough MPs wished to come along and take part.

Mr Blunkett: I agree with a great deal, including the amusement of the last contributions, particularly with the strengthening of the select committees who ought to be able to nominate reports for proper debate on the floor of the house which would help enormously. The only disagreement I have with Ken about the reform of Parliament is that perhaps sensible hours lead to sensible reports in newspapers which lead to sensible people being prepared to sit there and wait to be called. It is fine for us as ex-Cabinet ministers because we will not get called but it is pretty miserable for people waiting into the night. Some of us who used to sit until five in the morning and have to breathe in the fumes of those who had been drinking until five in the morning and then reappear for a standing committee at 10.30 in the morning having already done some work before it, no wonder the death rate was what it was. I suggest, Chairman, with great temerity that you might have a look at the death rate of MPs before we actually moderately change the hours.

Chairman: Different views of the golden age. Kelvin?

Q160 Kelvin Hopkins: I rather like the Conservatives' Democracy Task Force—I have said this before—and recommendations which seem to me to take us back to not far away from the way the Civil Service was. I am sure Sir Humphrey would like it. I certainly do and I was a great admirer of the Sir Humphrey model. I have said this before, could this document not have been produced by Labour in opposition with a wilful Conservative government? Would we not have said almost similar things?

Mr Clarke: Yes, and there is the danger that people put forward propositions in opposition which they do not put through in government. I have warned my colleagues of the danger because I think we got a favourable reception to most of our reports. One of our main interests in the Task Force which has finished producing reports now is to try to keep reminding the Conservative Party that we hope they will take some of this up and do it if they get the chance. What they will have to resist is Sir Humphrey-type advice, not necessarily from the Civil Service but more usually from colleagues thrilled to find themselves in power, that we do not have time to do all this, and anyway the other side did not do it so let us take advantage of all the short-circuiting that is being produced and we will do reform in due course. It needs to be done very quickly before people get too comfortable with the present ways of doing things. We started the reform of Parliament and reducing parliamentary problems when we had a minority and we were having so much trouble towards the end of the Conservative Government. We had the Jopling Report where my old friend Michael Jopling presided over arrangements which greatly weakened the ability of Parliament to hold us to account. I remember protesting at a meeting that we will not half regret this when we are in opposition. I was treated like the man in the Bateman cartoon who had said something shocking because of course to acknowledge what seemed to me a self-evident truth that we were about to lose office was a defeatist statement. The danger is that the pressure of events, the deep political embarrassment that is caused by delay or not getting your favourite policies through or Parliament being a nuisance makes governments

put it off. It requires the two parties under pressure from their respective back benchers to take on the inevitability of Parliament demanding more reforms, the Civil Service demanding more independence and people who have been made ministers wanting to wield ministerial power. We must give clout to secretaries of state again in a collective government, properly accountable to a stronger Parliament.

Q161 Kelvin Hopkins: Is the real problem not that there has been a dramatic shift in politics, undertaken under Mrs Thatcher first of all and then intensified under Tony Blair? There has been a shift to the radical neo-liberal right yet many Civil Servants had grown up in an era of soft social democracy, if one can call it that, under other governments, like Macmillan, Wilson and Callaghan. After that it started to change and when Blair came in he wanted to change things even more radically. I was talking to a senior former minister yesterday who said—and I agree with him—that when Blair came in he wanted power to do what he wanted to do. He wanted the backing of the really important power brokers in the world, the global corporations, the city, the Americans, and to marginalise all those people who would resist him, notably Parliament, the Civil Service and of course the Labour Party. That problem of power meant that we moved from what I have described in a previous session with Charles Clarke, from a mandarinate—as I called it—to a commissariat, driven by policy advisers who were pressing down on civil servants and ministers and making sure they did not get in the way of the political.

Mr Clarke: Thatcher in her last two years and Blair wanted a presidential government. I am a parliamentarian and I think we should resist presidential government; I think no man or woman should be given that kind of power, although in both cases I think their intentions were wholly virtuous, honourable and they saw themselves having the power to do great things. I am afraid I prefer collective systems of government, an independent Civil Service near to the driving seat when it comes to making policy and a more powerful Parliament which can hold them properly to account. The whole history of the British constitution has been to stop the accretion of excessive amounts of power in the hands of one man or woman however brilliant.

Mr Blunkett: But preventing that is not inimical to making a difference to using power to change for the better and if we came into politics in order to sit on what was already there and simply to debate in Parliament we would be wasting our time and the electorates' commitment to us. There is a happy medium here between being held to account and having to respond to Parliament and having to answer for what we do, including our executive actions, and being able to make a difference by showing leadership and bringing about change. I would like Parliament to be an organ for change, not just an organ for stopping change.

Mr Clarke: We need to show that radical government when the public want it can be combined with efficient government and parliamentary accountability.

Mr Raynsford: I think it is important that we do see the need for proper accountability and a framework that avoids the accretion of excessive power to any individual, but let us not forget that the period that you have described was not actually a period of great economic success. The prime ministers you mentioned—you did not mention Heath but he also in that group—presided essentially over a period of very considerable economic difficulties for our country and I am not sure that we want to go back to that.

Q162 Kelvin Hopkins: I would like to debate that; 1945 to 1970 was a lot more successful than what happened afterwards, but there we are. The one thing I want to emphasise in questioning is the importance of parties. David talked about doing things for the better as if that judgment about what is better should be for the prime minister, for the leaders. Surely in a democracy the political parties, Parliament, the electorate have to have a role in deciding what is better and that we have had a drift in recent years away from electoral influence, parliamentary influence, Civil Service advice and a drift of power towards people who think they know better. Is that not the situation?

Mr Blunkett: We had experiences in my own party which led us to believe that there had to be moderating force against those who would pass impossible resolutions, pickled into a dogma—as Neil Kinnock put it in 1985—and I have been thinking about the pickling ever since. There is a happy state of affairs where you are held to account in your own constituency both by your own party and by the electorate. You get strength from that which is why I am so strongly in favour of single member constituencies because I think it does have a terrific strength beyond party and beyond the confines of Parliament where we meet each other, we eat with each other, we meet journalists, professionals, we get cocooned. I think the strength of party and of pressure is going back into those advice surgeries and community meetings and we should not underestimate them. I only mention them because they do not often get mentioned.

Mr Lilley: I agree on the importance of single member constituencies and it applies of course when you are a minister in this country. I used to have a holiday home in France and one of my neighbours with a holiday home was the French finance minister, later the French prime minister. He would occasionally ask if I was going over on such-and-such a weekend and I would say I could not get there because I have my surgeries on a Friday. Of course French ministers give up their constituencies when they become ministers; we do not. I know there is a degree of strain fitting in your constituency responsibilities with your ministerial but you do get firsthand reports back from your constituents about how you are messing up their lives if you get things

wrong. That is very healthy. We often report back to Cabinet that things that we have experienced about other ministers' policies were not necessarily going wholly right. That brings me to the last thing on my list that ministers ought always to get out and see their own departments and what is happening in them. I never failed to learn something when I went out and met the people at the sharp end of delivering policy far faster than I would ever have learned if I had waited for it to reach me at the top. I remember going out one time to the benefits office in Tottenham just after I had introduced the habitual residence test which was designed to stop French and continental students coming here and financing stays to learn English by claiming income support. I asked them how the habitual residence test was going and they said, "Very well, Secretary of State; we have worked out how to carry it out as speedily as possible, it takes less than an hour now to apply it to asylum seekers". I said, "Applying the habitual residence test to asylum seekers, you know by definition they are not habitually resident otherwise they would not be claiming asylum". They said that that was how the regulations had worked out. I would never have been told that until possibly two years later when it had worked its way up the hierarchy. Ministers should always go out and meet the officials who are delivering, the ones who actually deliver it at the sharp end, know what is going on and can tell you. That and our contact with our constituents through our constituencies are a great strength of the British system.

Q163 Kelvin Hopkins: I have asked this question at other meetings about Cabinet government. It has been put to us by retired mandarins in the past that if you go back 30 or 40 years typically cabinets had a wide range of views, they would see 200 policy papers a year and they would have a genuine debate on these policy papers. In more recent years, there has been one year in particular where only two policy papers went to Cabinet, and the idea of a Cabinet that could contain Roy Jenkins, Tony Benn, Dennis Healey, Barbara Castle and a lot of others as well is now unthinkable. The idea that you could have a genuine range of views within Cabinet, real discussions about policy on the basis of policy papers and that they could come to some kind of genuine consensus which was a broader view, that has all gone. Has that not fundamentally damaged our democracy?

Mr Blunkett: I think that view of how Cabinet worked is complete mythology; they were dysfunctional. People wandered in and out; there were two or three cabinets a week. If you read Barbara Castle's diaries, sometimes she forgot to go or it clashed. They used to call Barbara's scribblings for her diary her little shopping list but I think sometimes they were making the shopping list. When we came in in 1997—I have said this before so it is not a secret—I believed we actually curtailed discussion in Cabinet too much. By the time I left Cabinet in 2005 we were having proper—in my view, in quotes—policy presentations by colleagues where we could then have a discussion about the direction of travel of that particular department or set of policies coming together and that was a lot better. I think we were retrieving a happy medium because the idea of sitting there waffling, literally; the 1974–79 Government used to waffle for hours about trivia. There is a wonderful piece in Crossman's diaries about how they had a debate in 1966 about the broiler hen quota from Denmark. Now you just do not want to go back to that; the world has moved on and with it we need to move the way Cabinet government works. If you do not have discussions in Cabinet then you do not have that collective ownership of what is taking place and although this particular Government over the last 11 years has had fewer leaks and fewer disagreements on philosophy and values than just about any other, it actually would be strengthened by much more rigorous debate in Cabinet.

Q164 Kelvin Hopkins: So all power to the leader and the commissariat.

Mr Clarke: I disagree with that. I think if Barbara and Crossman were allowed to comment they would disagree with that as well, except if they had had a bad day at Cabinet. Cabinet government did work very much as Kelvin described it, even under Margaret in the early years. Maybe Margaret spoke half the time, she always started discussions by saying what her view was and she did drive things through Cabinet, that is what prime ministers are for, but she always went through the process and people did have arguments. I have been present when she lost arguments in Cabinet and she did get fed up with this towards the end which slightly undermined her position. John Major started with a very collective Cabinet; we did go on for too long because John tried to get consensus and we had to go back to the Ted Heath pattern of twice a week, but it was a perfectly reasonable way of conducting government and that only collapsed because our Cabinet became so divided and no-one wanted to bring any business to it because it always leaked into the newspapers if you did. There must be a way of running this sensibly. It improves the cohesion of a government if you have a proper collective discussion. I cannot obviously speak about how it has gone, but what troubles me most about where we are now is to hear descriptions of Cabinet now. It sometimes does not meet for very long—an hour or two—and instead of being just the Cabinet ministers and the Cabinet secretary with the law officers called in or the chiefs of staff if there is something particular in their area to sit in and answer questions if necessary. The walls are now lined with special advisers and press officers. It must be a small public meeting that is taking place and it alters the whole focus it would seem to me. The whole point of politics is to have a serious, political discussion about how governments put things into place. Of course things like broiler fowl controls, that is what Cabinet committees are for or ministerial correspondence. When you go to war or when you have a banking crisis or when you are proposing to

nationalise or to privatise something that should be only on the basis of a policy paper that has gone to Cabinet with good time so they can read it and take advice on it and then a proper collective discussion.
Mr Lilley: Most of that is done in committee and things only go to Cabinet itself if they fail to reach a resolution in committee. Those committees are a very important and valuable part and least understood part of Cabinet government. A department will be developing a policy, will be in the lead, the minister concerned will think he knows everything about it. I even had that delusion myself when I was responsible for policies, I then went to Cabinet committee rather resenting the fact that all these other departments were going to comment on things which I knew everything about and they knew nothing about. They never failed to improve it; it always came out better as a result partly because other departments have direct concrete interests on which it impinged about I knew less than I should and I was then able to take it on board, but partly also from just general political nous. They would make comments about general political things which somehow, because you are embroiled in the details, you forget. Cabinet committees were an immensely valuable part of improving the calibre of government I found.

Q165 Mr Prentice: Was it not an absolute disgrace that the former Lord Chief Justice Woolf read about the creation of the Ministry of Justice taken from a press release? My simple question is this: should Parliament have a role in formally approving major reorganisation?
Mr Raynsford: Yes. I agree that the balkanisation has gone far too far although how they can be put back together to form some more substantial departments, I am not quite sure.
Mr Blunkett: I disagree only in practical terms. I think theoretically it is a lovely idea, but when you are dramatically changing the role of an individual, for instance the Lord Chancellor as opposed to the Lord Chief Justice, then it is very difficult not to actually tell that individual that this is what you intend to do but rather put out a paper for discussion about what their role will be. That happens in very difficult circumstances, but I just say it because we deal with human beings and we deal with practical situations.

Q166 Mr Prentice: Parliamentary approval is required in Canada.
Mr Raynsford: I do not think we handle the changes in the machinery of government at all well. I think they are often rushed and they are often not fully considered. I served in one department over eight years and it had three different names; it has now got another different name. Frankly, it is back to what it was 30 years ago, back in the Crossman era, when it was the Ministry of Housing and Local Government but it has gone through the separate roles of Environment, Transport and the Regions among others.

Q167 Chairman: Ken, I keep reading reports in the newspapers about what a future Conservative Government might be going to do to the machinery of government and of course you have written your reports. Some of those reports say that we are going to go back to the old system—you have been describing some of them today—but other reports said we are going to do rather radical things. One I read said that we are going to import chief executives from the outside into each government department to really shake them up and give them this focus that some of you say they lack on delivery and project management. Do you know which way it is going?
Mr Clarke: I only gave the advice I was asked for with the help of my Task Force. They are the opinions of my colleagues and myself on that Task Force. Advisors advise; ministers will decide. I disagree with the rival recipe.
Mr Blunkett: I would advise Ken and Peter's colleagues not to go around finding out which civil servants are one of us.
Mr Clarke: I quite agree. A non-political civil service is absolutely critical.
Chairman: We have kept you for an inordinate amount of time but that is because it was just so interesting and when we come to read the transcript it will be full of rich material for us. I hope, Peter, we have exhausted your list. I think we more or less did. Ken, I love the creation of this person who is an elder statesman in mid-career. Thank you very much indeed all of you.

Wednesday 26 November 2008

Members present

Dr Tony Wright, in the Chair

David Heyes
Kelvin Hopkins
Julie Morgan
Mr Gordon Prentice
Paul Rowen
Mr Charles Walker

Witnesses: **Ms Ann Abraham,** Parliamentary and Health Service Ombudsman, **Mr Steve Bundred,** Chief Executive, Audit Commission, and **Mr Tim Burr,** Comptroller & Auditor General, gave evidence.

Q168 Chairman: Good morning. I am delighted to welcome this morning, Ann Abraham, the Ombudsman, Steve Bundred, Chief Executive of the Audit Commission, and Tim Burr, Comptroller & Auditor General. As you know, we are doing this inquiry, which we have rather grandly called Good Government, trying to work out some of the underlying principles involved in what makes government good or bad. In doing that, we obviously turn to bodies like your own whose job it is to examine the ingredients of good and, indeed, bad government on a continuing basis. We thought it would be quite a challenge to get you to try to think through what you think are some of the general lessons that emerge from all this work and all of these reports that you do. You have been excellent in producing these documents for us, and I hope you have found them useful in getting you to reflect upon your own activities. We have certainly found it useful in looking at them. That is what we shall be exploring with you for the next hour or so. I do not know if any of you would like to say something by way of introduction?
Mr Bundred: I would like to say just one thing. Although the Audit Commission memorandum quite naturally focuses on areas where government could have done or could do better, there are a lot of positive developments taking place within government at the present time which I hope this Committee will recognise and applaud. I would include among them, for example, the growing professionalism of the finance function, the greater willingness of the Civil Service to open itself to external influence, and the improving and changing relationship between local and central government which is evidenced, for example, by the new local area agreements. There is a lot that is working well. I would not like that to be ignored when trying to focus on the things that could be better.

Q169 Chairman: I will start with you, Ann, if you do not mind—as I so often do. Your note raises the relationship between good administration and good government. It seems to be saying: Do not forget how integral good administration is to any notion of what good government is. Do you think we do forget that?
Ms Abraham: I suppose it is a back to basics question in a way really. I have to say I was hoping you were not going to start with me, because I thought these guys had rather more to contribute than me in terms of their overview, but I think what I am saying and what *Principles of Good Administration* are saying, our published documents of how we see the world, and how we would like to influence improvement in it, is that actually if you get the administration working well and you get the basics of good recordkeeping, good design, good planning, good communication, proper customer focus, if you get those things right, then actually a huge amount will flow from that. If you get your complaint handling working well, so your feedback mechanisms are working well and you have that driving continuous improvement, then that will take you a fair way along the road to good government. I think that is what I am saying.

Q170 Chairman: I think you are also saying that people's contact with the state is very much experienced through their experience of the quality of administration they receive, so it is not a tangential thing, but is integral to people's wider relationship with the state.
Ms Abraham: Absolutely so. One of the documents I sent you was a copy of the speech I gave at the Constitution Unit earlier this year, *Good Administration: why we need it more than ever.* That made those connections with democratic engagement, democratic deficit. One of the things that I find most difficult to deal with is if a complainant says to me, "It's not worth complaining. Nothing ever changes, nobody ever listens. I'm not going to engage with the system, with this complaints handling process. It's not worth it." It seems to me that is the citizen turning their face away from the idea that they have any self-worth really and that they are worth listening to.

Q171 Chairman: Let me then turn to our auditors. The reports you have given us are excellent and helpful in all kinds of ways, but can we first of all establish what you do not talk about, what you see is off limits to you in an inquiry into what good government might be?
Mr Burr: There is of course the restriction—which is a statutory restriction—on commenting on the merits of policy objectives that applies to me, certainly. That does not mean to say, as our memorandum brings out, that there may not be something we can offer in terms of policy design. In a way it links with the issue of government and administration which you were just asking about.

There are different reasons why one might question a policy. Whether one disagrees with its objectives, is not for me at all. But, of course, if it does not work or the implementation proves very challenging and not very cost-effective and so on, that might be a different sort of reason for asking whether the design—another issue that I raise in my note—is as good as it might be.

Q172 Chairman: Just so that we get a sense of what the "No go" areas here are and therefore which field you are addressing, I suppose I am prompted partly by the article which your predecessor John Bourn wrote in *The Financial Times*, a very robust article based on his experience of being the Comptroller & Auditor General, *Whitehall urgently needs to reform its culture*. It goes into some rather big points about how we do government in this country. Those sorts of big points, I do not see reflected in the report which you have done for us. Is that because it is off limits?
Mr Burr: No, it is not off limits. In the note that I have provided, I have not tried to ask "Why is it all so bad?" or something like that, but rather to base myself on the work that we have done, which, as the note brings out, does reveal that there are things that are not very good and could be improved, but does also bring out examples of things which have been done rather sensibly and rather well. That makes me a bit reluctant to generalise. It is not that I do not feel able to comment on the big picture, but that I think it is more complex than that the bureaucracy is dysfunctional or something of that sort, because it depends what you are talking about and it needs to be relative too, in terms of the different challenges and complexities faced in particular policy areas. Certainly we have been very critical of the Child Support Agency, for example, in successive reports we have produced. Having said that, I do recognise that it was always going to be difficult to bring that initiative off.

Q173 Chairman: There are some very, very useful examples that you give. I am just trying to establish the terrain that we are talking about here. Obviously we have had a range of witnesses who have come and told us what they think is wrong with government. For example, they might tell us that governments legislate too much, there are defects in the legislative process, there are problems in the relationship between politicians and ministers. There are all kinds of things that bear on the nature of government in this country, but all that stuff is not really stuff you can take a view on, is it?
Mr Burr: No, it is not, but, as I say, there may be issues about design rather than objectives and there may be issues around implementability and those sorts of things.
Mr Bundred: Like Tim, we are constrained from commenting on the merits of government policy, but we do have a duty to report on the implementation of government policy within the areas covered by our remit. We are also constrained from moving into areas which are the remit of other bodies. Often, of course, the issues that we are looking at cover the local and the national and they may cover areas which are the responsibilities of, for example, other inspectorates, but in order to address such issues and ensure that they are not overlooked, we do very regularly conduct joint reports with the National Audit Office, with the Healthcare Commission, with Ofsted, and with the Commission for Social Care and Inspection. We are able to overcome that problem, therefore. In relation to the bodies within our remit, we have different powers in relation to local government and health, but in relation to local government, we do very regularly look at the way local government is managed, at the relationships between members and officers in local government, and at the role of political leadership. Indeed, only this year we published a report looking at the way in which chief executives of local authorities are recruited and remunerated.

Q174 Chairman: I suppose the core business, certainly originally, of your organisations was financial. It was financial audit. You have expanded from that core.
Mr Bundred: The Commission was created in 1983. From the very beginning it had a duty to undertake national studies designed to promote economy, efficiency, and effectiveness in the delivery of public services, and to look at the implementation of policies or ministerial directions. That studies function has been there from the very beginning, therefore. The way in which the Commission's remit has changed over the years is that in the late 1990s we were given responsibility for inspecting the quality of services provided by local government.
Mr Burr: Of course it has evolved in our case, because we go back further. I look at it like this: from the start there has been concern, as there is with all public auditors, on whether the funds authorised have been applied to the purposes for which they were authorised. That very naturally leads to a second question. Parliament authorised these funds, but it authorised them on the basis of a prospectus, in terms of what would be achieved, so was the prospectus delivered? And that is value for money.

Q175 Chairman: I ask this partly because in a previous inquiry the former Cabinet Secretary Lord Butler raised with us what he believed was a useful innovation. He said that we should think about setting up a National Performance Office to match the National Audit Office: "a body whose explicit remit was the quality of administrative performance inside government" so that it is not just something that is sort of tacked on to the work of bodies which are doing something else. I wondered how you responded to that.
Mr Burr: We did respond to it. Our view was that there was nothing obvious here which could not come within our remit as the National Audit Office. Indeed, if you look at our memorandum which draws upon numerous reports that we have produced—and we produce about 60 in the course of the year over and above other work that we do with departments—there is enormous scope there for acting as a stimulus to improving the quality of

administration. It is not for us to say, but we would like to think that is a function that we can, and to a certain extent increasingly do, discharge.

Q176 Chairman: Would it not be sensible to put your two audit bodies together and beef you up into something that does the whole shooting match?
Mr Burr: Steve and I have talked about that in the past, of course. It does encounter some difficulties, in the sense that I am an Officer of the House of Commons and my job is to report to the House of Commons on the accounting for the monies which Parliament has voted as supply and to look at the value which has been achieved for those monies, and the people who appear before the Committee of Public Accounts are accounting officers who are formally accountable to Parliament. If we were to have a joint body, of course, there would then be questions as to the extent to which an officer of the House of Commons could appropriately call to account directly servants of local democracies in the local authorities who have a different accountability. I will not enlarge on that but Steve will be able to. There are also some other difficulties around the question of where the responsibility for appointing such a body would lie, because of course members of the Audit Commission are appointed by government whereas there is a procedure for appointing the Comptroller & Auditor General which is designed to guarantee independence from government. I am not saying that Steve is not independent of government, but there is that sort of safeguard and whether one could read that across to Steve's side of the work he had better say.
Mr Bundred: The only thing I would add to all of that is that although the practical and constitutional difficulties of bringing the audit agencies together into one have been overcome in other jurisdictions, I think they would be greater in England, where there are over 300 local authorities. There is no doubt if neither of our two organisations existed and you were starting with a blank sheet of paper you would not create exactly the present arrangements. But, while the present arrangements exist as they do, I think the obligation on both the Commission and the NAO is to ensure that we work in very close collaboration and absolute tandem with each other, and we do.

Q177 Chairman: I do not know whether it was in the NAO or the Audit Commission memorandum to us, but one of you said that citizens have no idea who provides what service any more. They do not know, they do not care, they just want a decent service. They are not detained by these nice distinctions, that you seem to think are obstacles to having an integrated audit operation.
Mr Burr: Yes, but they did vote for Members of Parliament and they did vote for local authority members, and so, ideally, one would want the public to have some idea of where the accountability and initiative in the provision of those services lie. I was not making any stronger distinction than that.

Q178 Chairman: Is it possible for you to say in any sort of general way, also taking account of comparative experience, the experience of other countries, what sorts of things we seem to do rather well, and what sorts of things we do not do so well. Is it possible from your work to say that?
Mr Burr: I have been reading the evidence you have already taken for this inquiry and I was rather struck by Peter Lilley's response to that question, which is that government does probity well; it does policy reasonably well; policy implementation could be better; and project management generally was not that good. I applied myself to thinking why that might be, because I think there is something in it frankly. I noticed about that spectrum that probity does not cost you any money—it does not cost you anything to be honest, in that sense. With policy formulation, limited resources are devoted obviously to that—high quality resource—but you are not betting the farm on it at that stage. With implementation, of course, you are engaging the resources, but if you are talking about ongoing programmes you do have some scope to learn as you go along. With projects, however, you generally have large resources and you have to get it right first time. I think that that perhaps says something about what is, in a sense, less and more challenging to government machinery. Having said that, I want to add one point, which is that one should never belittle probity. Probity is a major issue for governments around the world. I think we can be very thankful that in this country, that is not something which we cannot take for granted, but it is something on which we can usually rely.

Q179 Chairman: That is a really interesting answer. You commissioned this report from —
Mr Burr: PWC.

Q180 Chairman: Yes, as background to your submission to us. They find, studying certainly France and the United States, that "Experts in the United States and France highlighted UK performance monitoring and evaluation systems as examples of best practice." Is that something that you would point to as an area where we—
Mr Burr: It is not a job done but it is certainly something which is receiving a degree and a quality of attention in government. One only has to think about public service agreement targets—which have evolved and which are now primarily cross-cutting targets, but there are also now departmental strategic objectives—and I am pleased to say that we have been able to work with government on that, particularly in the validation of the data systems which underlie that monitoring to which you refer. We have not yet moved as far as validating the data in the sense that we would audit an account, because that is something which we might do in the future but not yet, but we do look at the extent to which the methodology and the sources for the data are robust, and that has led to quite a good dialogue with government. In that respect, I think there are things

you could point to in terms of a commitment to effective performance measurement and some willingness to submit that to external validation.

Q181 Chairman: Could I ask you, Steve, to respond to the good and bad question.
Mr Bundred: First of all, I would strongly endorse the points that Tim has made about probity and so on. The comment I would make is that we do many things well sometimes, but the thing we do not do well is to have a consistent approach right across government, so we see the same errors being repeated on occasions where the lessons from history have clearly not been well learned.

Q182 Chairman: That is something that the Ombudsman has said to us many times over the years too.
Ms Abraham: To come in on this good and bad point, I would start by saying that all my customers come to me because they are unhappy about what the Government has done to them, so there is not a lot of the good, but I was very taken with Tim's comments on probity, policy, policy implementation and project management. I do not disagree with any of that, but where I come in is that the day-to-day administration is the main interface with citizens, it is those transactions on which the citizen experience is based, and, therefore, if that policy implementation and its ongoing maintenance is the area where actually we are not doing too well, that is the bottom of this huge pyramid. That is one thing. I suppose I would say—it is certainly the experience of my Office over the years and I think endorsed by the NAO in recent studies they have done—that government does not do complaint handling well. If we can expand on that later, I would be happy to do so.

Q183 Mr Walker: We were just touching on targets. Do you think that good administration is reaching targets? There is a debate at the moment as to the merits of targets and whether they depersonalise the delivery of services to just simply box-ticking. I would be interested to have your thoughts on that.
Mr Burr: I have been saying to my staff that merely to say that a target has been achieved is not in itself evidence of value for money because there are questions about whether the target is itself appropriate and sufficiently demanding. I would say that targets can certainly help, departments and public bodies focus on the task to be done, but there needs to be integrity about the target-setting process, that it is intended to drive performance and not simply to give a ring of plausibility to what would have been achieved anyway.
Mr Bundred: I would say that well-chosen targets have an important role to play but they do have to be well-chosen and they do have to be owned by the organisation responsible for delivering them. I do not know of any well-run organisation that does not have its own targets and use those targets to drive its own performance, so undoubtedly targets can play an important role but they have their limitations too.

Q184 Mr Walker: Haringey Council reached its child protection target, but would you say that was a success, given the disaster that has just happened?
Mr Bundred: Obviously I cannot comment on what has happened recently in Haringey because I do not know enough about it, but undoubtedly targets have an important role to play. I think there would be few people who would deny that the performance of local government generally has improved significantly over the last decade, and targets have been one of the factors that have contributed to that, but they do have limitations.
Ms Abraham: My view is that there is a huge industry around targets which sometimes works well and sometimes serves us all very badly. This is really about performance and measures of success and key performance indicators which tell us whether we are achieving the things which we are supposed to be achieving. Perhaps I can give just one illustration. The outgoing system for complaints in the NHS has a target, indeed a legal requirement, of answering letters about complaints in 20 working days. That means that you get a lot of nonsensical letters which actually do nothing to respond to the problem and the issue under consideration but there is an absolute tick in the box which says, "We have answered a letter". Usually that means that local resolution is complete, box ticked, on we go to the next stage, unhappy complainant, problem not solved. They can work absolutely perversely or they can work very well. But they need some really developed thinking about: What it is we are trying to measure here? How will it tell us that we are succeeding in what we are trying to do?

Q185 Mr Walker: You get many complainants come to you complaining about organisations that may well have reached their targets but the complainants come in to you because they have not been treated with compassion or dignity, or common sense has not been applied to their case. I think there is a role to have a debate about targets and whether we attach too much importance to targets and whether there are other areas of importance being subsumed by the need to reach a target. Would you agree with that? I would be interested in what the panel think about that.
Ms Abraham: I absolutely agree. In the context of the NHS, I have argued for a long time, and in a special report on this some years ago now, about having a system which is focused on outcomes and not on process. That does not mean you do not have the processes, but if people just get into a bureaucratic process of complaint handling as moving paper from one place to another, you will not get the outcomes and you will not get the learning, and, therefore, I am sure that debate would be useful and I am happy to contribute to it.
Mr Bundred: I touched earlier on the new local area agreements as something which I think has been a very positive development. One of the reasons why it has been positive is because there are fewer targets within those local area agreements and there is a better balance within them between local and national priorities. I think that is important because,

while targets can have a positive role to play if they help to provide focus, if there are too many of them they can simply create confusion.
Mr Burr: Along with that, of course, targets can only be selective. The concern was that some of the softer things, around the way things are done as well as what is done, are hard to target and probably it would be a mistake to try. They have their uses but they are not a substitute for a culture of good public administration.
Chairman: That is interesting. Our success in the Olympics was widely attributed to a very strong and robust target culture that drove the programme. Anyway, I just insert that as an observation.

Q186 Julie Morgan: I want to explore some more of the relationship between the centre and the delivery of local services. Do you think power is too concentrated in the centre?
Mr Bundred: There is another Committee of the House looking at the balance of power between local and central government at the present time. The CLG Select Committee is conducting an inquiry into that and we will wait with interest to see what they have to say. Fundamentally, while national government is providing through national taxation, the great majority of local expenditure, then inevitably national government is going to have a very powerful say in what local authorities do.

Q187 Julie Morgan: Do you think there could be more decentralisation?
Mr Bundred: As I said earlier, I have welcomed the shifting balance between local and central government that I have observed over the last decade or so, but local government is a creature of statute. It is for central government and Parliament to determine what its function should be; it is not for the Audit Commission to decide what the functions of local government should be.

Q188 Julie Morgan: In your memorandum you referred to examples where the working between the two layers was not good. Was that flooding and the Children's Trusts? Could you expand a bit more on that.
Mr Bundred: They are different examples but they are both quite interesting examples. In relation to flooding—and this was a report we published in December last year about the experience of those local authorities which had suffered severe flooding in the summer—this is an issue about consistency of approach by central government. Local authorities said to us that they very much welcomed the swift response of central government in providing additional money to cope with the consequences of that flooding, but there were four different funding streams, provided by three different government departments, with different criteria attached to each. The consequence of that was that in London, where there was no widespread flooding, two local authorities received compensation from government, but in Hull, which is the area that was most badly affected by the flooding, the local authority ended up having to meet most of the cost of the damage itself. There was a kind of lack of coherence and a lack of cohesion in the Government's approach to supporting local authorities that had been affected by the flooding.

Q189 Julie Morgan: Are you saying that in London two local authorities received money for flooding that had not occurred?
Mr Bundred: There had been very localised flooding, there had been no widespread flooding in London, and the damage that those authorities had suffered was very slight and could reasonably have been met from their own resources.

Q190 Julie Morgan: How can that sort of thing be remedied?
Mr Bundred: We made some specific suggestions in our report; for example, the operation of the Bellwin scheme which exists to support local authorities experiencing major emergencies which we know government is still giving some thought to. If I can turn on to the second point, your mention of Children's Trusts. Children's Trusts was a different example of ways in which we think government could have a better approach to policy design. The problem with Children's Trusts was that while the policy was extremely well-intentioned and designed to address a very serious problem, the difficulty was the over-prescription on how things should be done rather than a focus on what should be achieved. Again there was inconsistent and sometimes confusing guidance given, not just between different bits of government but also over time.

Q191 Julie Morgan: Which still has not been sorted out, presumably.
Mr Bundred: Ministers have said in response to our report that they intend to issue fresh guidance very soon.

Q192 Julie Morgan: Do you have anything to add?
Mr Burr: As Steve says, it is for the Government to determine what the balance of responsibility between central and local government is, but I think it needs to be looked at from two aspects—what I might characterise as a micro and a macro—in the sense that, service by service and issue by issue there may well appear persuasive grounds for a stronger central government role or whatever, but I think there is a need to look at the relationship between central and local government as a whole. Because you presumably are going to have to have some vision of what sort of local government you want to have and then there will be issues about critical mass in terms of responsibilities, funding and so on, without which you might begin to compromise its effectiveness in some way. There is a big question about where the balance should lie—it is not a question for me, but there is a question anyway—as well as the series of individual questions about how a particular service is best organised. You could answer all those questions in what seemed to be a rational and satisfactory way and end up with a

result in terms of overall balance which was not what you wanted, so I think it needs to be looked at from both ends.

Q193 Julie Morgan: Do you have any comments?
Ms Abraham: I was trying to reflect on whether there was anything I could say that was remotely evidence-based in this and there is very little indeed. I was just thinking about the extent to which my Office has looked jointly at complaints with the Local Government Ombudsman where there is read across. Health and social care is a huge area, but that does not go to this question. The very, very tiny number of complaints that we have where things have not worked well that have sat across those boundaries have tended to be in environmental or in transport, that sort of territory. I really do not think I have an evidence-base that would allow me to say anything much about anything on that really.

Q194 Chairman: Could I press you on the first of Julie's questions, which was about the centralisation issue, because again your consultant's report to the NAO, talking about international experience, says, "Good government is increasingly decentralised and closer to its citizens". I would like to know if this is true in evidential terms. I would think it is true that after devolution England is probably the most centralised country in Western Europe now. The question there is: Does centralisation of that order produce less than good government? Is that what the evidence seems to show? Do smaller units do better?
Mr Burr: As a generalisation, it is hard to argue with the idea that the more you know about the needs of the customers and the circumstances in which they are, the better the job you are likely to do. Of course that is not the same thing as saying that things should be done by local government rather than by central government. For example, the Department of Work and Pensions has to deliver benefits to individual people and individual families and needs to have a high degree of feel for the question whether conditions for benefit and the like are met and for local labour markets and those kinds of issues, but that can be discharged within the context of an appropriately managed central government department. I do not think that what we were saying in the memorandum is quite the same thing as saying that local government needs to be responsible for more things or something like that. As I say, my chief observation on that would be that you do need to consider whether you might by a perfectly rational process, on a service by service/issue by issue basis, chip away to the point where you were not really left with enough to be the kind of local administration that you wanted it to be. I am not saying it is so, but it seems to me that is a proper consideration of policy in these matters.

Q195 Chairman: Can you answer the question? Is government too centralised in England?
Mr Burr: I do not think I can answer it at that level, because that is really a political question as to where authority should lie. My role is rather to look at the service delivery, to look at delivery chains—which are increasingly complex—to see whether a good result and a good performance is achieved, and, as far as possible within that framework of policy that is set, to see how it might be improved, how communication might be better, how performance reporting and monitoring might be better and so on, rather than the challenge the framework itself.

Q196 Chairman: What I meant was "too centralised for good government". That is the proposition that these consultants are telling us and which other studies have seemed to indicate. I just wanted to know if this seemed to be supported by your experience of the evidence. What about you, Steve?
Mr Bundred: I have some sympathy for politicians on this issue because I do not think they get consistent messages from the public. On the one hand the public will express a desire for decision-making to be taken as close to the point of delivery as possible, whereas on the other hand they do talk the language of the postcode lottery and do get concerned if standards are not exactly the same everywhere. It is undoubtedly the case that government has become more centralised over recent years—over a long period of time, in fact—but there are factors in public opinion that have helped to drive that.

Q197 David Heyes: If I may say so, it is the public in that perception who are to blame for poor quality of government—if you take your argument to its extreme. If you were to ask a lay person, "What is the Government?" they would say, I guess, "Gordon Brown", "It is the Cabinet", "It is an array of ministers," and they might even say presently "It is the Labour Party that is government." We are looking at what is good governance, and for virtually all the witnesses we have had before us, including yourselves, the political dimension really does not feature as the determining factor in achieving good government, and clearly it is. You tend to shy away from that. Tim, you just declined to answer a question that you perceived to be a political question. I understand why you did that, and this point about being sympathetic to politicians because of the vagaries of public opinion. All these things impact on good government and yet yourselves and the other witnesses we have had, and maybe others as well, concentrate on looking down at the bureaucracy and the way it is structured, the way it works, the way it functions, often forgetting or almost being blind to the fact that we operate in a political dimension. Does good government require good politics? That is the question.
Mr Bundred: Certainly the experience of the Audit Commission in relation to local government is that the best local authorities are those that have strong political and managerial leadership and good relationships between the two.
Mr Burr: The reason why I have not commented—and perhaps we have not commented—on the problem with the role of the politicians is because that is somewhat outside my competence and the process which I serve. The Committee of Public Accounts does not take evidence from politicians or

from ministers but it directs its inquiries to the accounting officers who run the administration of those departments. On your question, I hesitate to venture into what is good politics and what is bad politics, but I certainly think that there is such a thing as good policy-making and poor policy-making, as it were—not, as I said earlier, in terms of whether I may agree or disagree with its objectives and orientation but certainly, in the terms of my memorandum, in terms of policy design. I think that reads across directly into the question of the link between government and administration, because if the policy is not designed in a way which is likely to make sense for those it is intended to help or serve, then administration will struggle from the start.

Q198 David Heyes: Ann, do you have a view on this?
Ms Abraham: I was just trying to think what good politics would be really. I suppose if I think about this from the perspective of, to what extent can the political dimension interfere with or play against good administration. Some of the examples of that are maybe more behavioural/cultural than processy, but the things I observe—maybe some of my personal bug bears over the years of observing government in action—there are a number of things that go on where the political dimension kicks in and is a challenge to good administration. So I would say there is a huge focus on what I would call the front end: thinking things up but not thinking them through. Trying to do things in impossible time scales—to me the political imperative—which means that you do not get your planning and your testing in. There is a phrase I used in the report about NHS complaints: "slippage and scramble": there is no activity for a while—for quite a long while—and then there is this frantic activity. There is something about a view, when it comes to the focus on the front end, that getting a piece of legislation through Parliament equals implementation, when actually those of us who know a bit about delivery know that that absolutely is not the case. The other political dimension, which I think really mitigates against good government is what I would call defending the indefensible. Over the years, I have seen—as I am sure this Committee has—examples where civil servants are desperately trying to protect their minister. I call it keeping the lid on. It is very obvious that something has gone horribly wrong. The Debt of Honour report which I did and this Committee actually followed up on was a wonderful example of civil servants trying to keep the lid on something which was clearly going to explode. Somehow putting something else in, keeping the lid on, when actually what really needed to happen—which is what the minister did in the end—was to get it all out, put it on the table, sort it out and then deal with it. I think there is something about protecting the minister, keeping the lid on, which is cultural for civil servants—and quite rightly too, in many respects—but it can play actually against good government. I suppose those are my observations really about how the political dimension can get in the way of good administration.

Q199 David Heyes: Is it the case, though, that where there have been examples of serious implementation failures, things like tax credits, child support and even the farm payments, those are attributable to political failings, the kind of failings that Ann has described: short-termism, overambitious commitments, and being unrealistic about what could be achieved? Is that what is to blame for those things that we would all accept are examples of government failure?
Mr Burr: To take tax credits, I would not go so far as to say that it was in some sense wrong to seek to redistribute income to what would otherwise be benefit recipients through the tax system. I would say that it was always going to be challenging because you have to marry the weekly payment culture of the benefit system with the annual assessment culture of the tax system. Therefore, for officials responsible for advising on the implementation of such a scheme there was a great deal of careful design work that was going to be needed. One wonders whether some of the decisions that were taken later in response to the problems that emerged, such as the increase in the disregard for rises in income during the year, should perhaps have been features from the outset. That would have reduced one of the most difficult aspects, which was of tax credit recipients finding themselves with larger amounts than they were supposed to have received which they were then expected to pay back.

Q200 David Heyes: Was that the fault of the bureaucrats who did not recognise that they needed to establish the systems to cope with that or was it the fault of the politics for just designing the policy wrongly in the first place? What is the balance between those two?
Mr Burr: I would not necessarily want to apportion blame there, but I would say that if it became apparent in due course that you could not operate it in the way it was originally designed and you had to modify it in that major way, was it just the case that you had to learn from experience or could it not have been foreseen that these were people who, given their financial situation and circumstances, you did not want to put in a position where they had to make large repayments, so you had to design your system so that it did not create that necessity? That is the way the thing has evolved. I do not see why, with more thought at the start on the way in which this idea was to be made operable, that could not have been built in from the start.

Q201 David Heyes: This is probably more a comment than a question. I was really taken with what Steve said about the differences between local authorities. I have two local authorities in my constituency. The year ranking is one to four now. One authority struggles around the one and two level year after year and the other authority is always up there at the top level of achievement. If you look at the two localities, the demographics, the social and economic circumstances are almost identical. The only difference you can see between them—in

my view a significant difference—is the consistency and quality of political leadership in those two areas. That is the defining different factor.

Mr Bundred: We would absolutely agree with you that leadership really matters, and not just political leadership but managerial leadership. The two have to be working in tandem. You can see that not just in government but in other spheres as well. There are some examples where government has provided real leadership, and that has been evident in the design and implementation subsequently of important political policy priorities and they have been very successful. An example I would give of that would be something like the Government's approach to reducing landfill and to tackling climate change: the policy was well designed, the right incentives were in place, and, although it was a very ambitious target, we reported relatively recently that it looks like the targets will be achieved. But there are other examples where the leadership is not sustained over any prolonged period and that is often because there is no kind of consistency either at the political or the managerial level within government. If you look at the bodies within our remit there have been four different government departments responsible for local government since 1997. I have been in my post since 2003, during which time there have been four secretaries of state for health and you see the same movement at senior levels in the civil service too.

Q202 Chairman: Just on the question that David asked originally about the importance of the quality of political leadership and administrative leadership. Steve, you were able to say for the Audit Commission that your work had shown that this was pivotal and yet, Tim, from the NAO side you had to say this was all off limits to you. The question is how can it be off limits to one audit body and yet integral to the assessment of good government for another audit body? Following on from that, why is it that you are not doing the kind of audit of central government in these areas that is being done for local government? Why do we have these capability reviews that are done by somebody other than you, why does Steve do his comprehensive performance assessments of local authorities but you have no comprehensive performance assessments of central government; is there not a mismatch here?

Mr Burr: There are differences. For example, with local authorities you have a plurality, quite a large number of different bodies, which are all delivering the same range of services so an approach which relies on ranking performance in terms of benchmarking them against each other will work and be quite telling and effective. There is only one Ministry of Defence, there is only one Home Office, there is only one Defra, and they are dealing with very different sorts of challenges, very different sorts of tasks so to compare the performance in that way directly is more difficult. Indeed, the capability reviews do not actually do that; they look at what the capability of a department is, its potential if you like to deliver good performance. They do not actually look specifically at the whole organisation and performance delivered.

Q203 Chairman: This makes my point stronger.

Mr Burr: I was not looking to argue otherwise, I was just really trying to set the scene in terms of the nature of the task. We do of course produce numerous reports looking at different aspects of the way in which government departments deliver particular services. We have not yet sought to produce some overarching verdict on whether a department is performing strongly as a whole or not, because there would be a risk of losing the plot and not producing the kind of clear conclusions that you can if you are looking at a specific set of service issues which are linked and therefore are auditable. Whether the Ministry of Defence is doing a good job is in a way a larger question. You also raised the question of why, if the Audit Commission can reach judgments on the political leadership of local authorities, we cannot reach judgments on the political leadership of government departments. My role is as an Officer of the House serving directly the Committee of Public Accounts and, as I said, the way that convention operates there is, that accounting officers are accountable to that committee which I serve; ministers are accountable to the House.

Q204 Chairman: We know the problems, we are trying to get to the solutions, and I am still not sure listening to you whether you are saying that a rigorous assessment of central government departments, more rigorous than capability reviews, is something which is not doable in a technical sense or whether it is perfectly doable but you are not currently able to do it but you would quite like to. Which of these is it?

Mr Burr: I would not like to say that it was not doable, and I am not saying that. What I am saying is that in practice it has proved more tractable and more conclusive to be able to look at what has been achieved in particular programmes, and where evidence can be brought together in a form that is manageable in terms of an inquiry by the Committee of Public Accounts which looks at the ability of the department to discharge that particular service. That is the way we have done it because it seems more tractable and more effective and more conclusive, but I am not saying it could not be attempted.

Q205 Mr Prentice: Could I stick with you if I may? This is a tremendous report on *Good Government* which you did for the Committee, but reading it I ask myself why is it that despite all your reports we still get huge cock-ups occurring. Are we congenitally incapable of learning from mistakes or are we always going to repeat past errors?

Mr Burr: We had the same reflection ourselves and we are in the middle of a report on helping government learn, because we do think that is a question that the record very much raises in terms of the ability to repeat the same experiences without apparently being able to learn and transmit the lessons from that.

Q206 Mr Prentice: Do you ever get angry—and I am not necessarily inviting you to be angry today—that despite all these reports that you tell us about you get these gigantic cock-ups, no one seems to take the blame but the end result is that people out there feel more alienated from government than ever. Does that just make you angry?
Mr Burr: It does not just make me angry—it may do that too—but we have our part to play, which we do not shirk, working with the Committee of Public Accounts in trying to make that learning more effective. We look into these issues, be it tax credits, be it the Rural Payments Agency, be it the Child Support Agency and so on; we try to get at what has been going on, why the problems arose, why they were not resolved and dealt with more effectively, why it took so long to reach a solution, and then of course there is the process whereby the accounting officer responsible has to explain—

Q207 Mr Prentice: And then off it disappears into a big black hole.
Mr Burr: I do not think it does quite, because the committee will report on that, the Government will respond, committing itself to action which will be designed to address the difficulties, and that can lead to major change and major reform, for example in tax credits or in the way that the CSA system has changed.

Q208 Mr Prentice: I am not going to ask you the details, that would be unfair, but I had a debate yesterday on education maintenance allowances. A cock-up I described yesterday of galactic dimensions—200,000 students waiting for their money. At one stage I was told by the minister the backlog had been cleared and 12,000 students were waiting for their money, hastily revised to 26,000. The whole thing is just appalling; yet when I looked at the history of this affair all the procedures had been followed, all the rules and regulations had been applied, the gateway review which you talk about in this report, the transfer of the contract from Capita to Liberator had been waived through by the gateway review of the Office of Government Commerce and still there is this huge cock-up. The accounting officer, the permanent secretary, has waived any possibility of penalties; Liberator under contract should have paid £3 million in penalties and instead we, the taxpayer, are paying Liberator £4 million so they can transfer their IT equipment from the company responsible for the cock-up to Capita who originally had it. That is appalling, is it not?
Mr Burr: Yes, and we have looked at cases where similar difficulties have arisen and have pressed for that kind of restitution and those kinds of levers which the Government has to make sure that the costs lie where they should. Those should be activated and should be effective. I would not want to imply though that there is no learning from those kinds of experiences, because tax credits has changed in the way it is administered, the Child Support Agency has changed, the Rural Payments Agency has changed. The way that these services are delivered has been reformed in a way that is designed to tackle the difficulties.

Q209 Mr Prentice: Yes, I understand, but it is all after the event, after the damage has been done. In this excellent report that you did for the Committee you talk about people taking personal responsibility for programmes, and with the complexity of government delivery you talk about £79 billion to £80 billion of state services that are now delivered by private sector organisations, third sector organisations; how is it possible in this new complex world to pin responsibility on individuals and if there is a huge cock-up to make sure that that individual pays, either with his or her job—big rewards, big penalties—or in some other way? People just seem to walk away from these catastrophes.
Mr Burr: That is of course a matter for those government departments to take any disciplinary action that may be appropriate and to draw the right conclusions from it.

Q210 Mr Prentice: What I am trying to get at is would you like to see a new kind of culture? When things go wrong, we expect people to fall on their swords, to resign. I am not just talking about politicians, I am talking about people in the private sector who have failed to deliver, that there should be penalties, which is not the case with the administration of EMAs.
Mr Burr: No.

Q211 Mr Prentice: No?
Mr Burr: It is not that I do not agree; it is just that I was agreeing with you that it was not the case. If you think, for example, of the incident that occurred nearly a year ago in which details of 25 million people's child benefit and other details were lost, the chief executive of the HMRC did resign over that.

Q212 Mr Prentice: And was brought back on on a temporary contract; this was Mr Gray. People are cynical about these things.
Mr Burr: Yes, indeed, I can understand that; the only point I was making was that there was a resignation, that responsibility was accepted in line with the accounting officer regime that we have. Could there be more of that? It must be right that personal responsibility is clearly defined, not after the event but up front, so that we know who is responsible for making a particular programme or service work effectively, and that there is accountability, as there is through the Committee of Public Accounts, but accountability administratively and managerially within organisations for performance. It is not just a question of, as it were, punishing the guilty, but also of incentivising good performance.

Q213 Mr Prentice: May I just put a question to Steve Bundred? You are an expert on local government issues; I have been reflecting on what has been happening in the Metropolitan Police this week, where there were allegations of racism by the

Assistant Commissioner Tariq Ghafoor and apparently a settlement; he is walking away with his full pension and a payout of £300,000. The allegation was made against Ian Blair, who is walking away with a payout of £300,000 and an annual pension of £165,000 / £168,000. Does this not feed the cynicism that people have? If there was this allegation of racism in the Metropolitan Police why should it not have gone to an Employment Tribunal to get the thing sorted out, and if there are these deals done at the MPA or at the top of the Metropolitan Police so that the two parties can walk away with a fortune—for people in my constituency, for people in most of our constituencies, these are huge sums of money and clearly at the top of the Metropolitan Police there was a real problem, it has not been resolved and the two parties are walking away with huge sums of money. That is not good government, is it?

Mr Bundred: You will appreciate that I cannot comment on the specific instances in relation to the Metropolitan Police that you are referring to. I have no idea of whether the allegations were well-founded and I do not know the details of the basis upon which those allegations were withdrawn. If I may, I would just like to say something about the wider issue you are raising and which you have touched on also with Tim, and make some comment about the local authority experience. I would make two comments. The first is that I do see many instances where people in local authorities carry the can for failure and, indeed, one of the reasons why the Commission's comprehensive performance assessment has been perceived to have real bite and to have contributed to driving improvement in the performance of local authorities is because it is perceived to have been career-threatening for individuals to be identified as having been held responsible for failure in those circumstances. The second point I would make, and it relates to your questioning really of Tim, is that it is important that we learn the lessons of success as well as the lessons of failure in relation to government. One of the difficulties that we have in this country in relation to the public services is that the penalties for failure are so much greater and so disproportionate to the rewards for success, and it creates for us a culture of risk aversion and a reluctance to innovate in some instances, which I think is less healthy than it could possibly be.

Q214 Chairman: That takes us into an interesting other area, which is the one that says, be more concrete, tell us in what areas we should be more risk-taking—presumably not in child protection for example.

Mr Bundred: Not in child protection and not in building bridges, but what I am saying is that often in public services, if you do something and it comes unstuck you expose yourself to the risk that you will be shot down. If you do nothing and you just keep your head below the parapet, you carry on and you do not take that risk, then you are very unlikely to come under fire for that. So there is an issue in relation to our culture of public services where those who get things wrong immediately come under very, very heavy attack but we do not celebrate the success of those who get things right to the same extent.

Q215 Mr Prentice: Can I just say on this point someone talked about the complexity of government and all over the shop there is a multiplicity of partnerships. Is it the case that no one takes responsibility because responsibility is now so diffuse it is very difficult to identify someone who was primarily responsible for the cock-up?

Mr Bundred: I would certainly accept that the proliferation of partnerships creates issues of accountability and, indeed, the Commission published a report on the governance of partnerships a couple of years ago which made that point. It is important that even within partnership arrangements there should be clear accountability; that I would absolutely agree with you on.

Q216 Paul Rowen: Can I just ask on that, the NAO has qualified the accounts of the DWP for the last 20 years. Last year they lost £2.5 billion; the permanent secretary says you should accept that we can lose £1 billion through fraud but what is he doing about that? Nobody has been sacked or pilloried as far as I know for this regular occurrence.

Mr Burr: The situation has been improving.

Q217 Paul Rowen: So £2.5 billion last year was okay was it?

Mr Burr: No, it was not okay and nobody would say that it was, but the amount that has been lost through fraud and error has been managed down and I know—this is a dialogue that he has had with the Committee of Public Accounts—that the permanent secretary of that department, Sir Leigh Lewis, has placed a great deal of attention and priority on tackling that problem, but it would be wrong to say that this is just money that is, as it were, irresponsibly lost. If you look at the reasons as we have done very closely, why these errors arise—this is not to excuse them or say that they are all right at all—if it was something like the retirement pension the level of error is very low and indeed I specifically, in my opinion on the accounts of the DWP, exempted state retirement pension, which is much the biggest benefit, from the scope of the qualification because that was administered to a high standard of accuracy. Where the problems tend to lie is where entitlement to benefit is dependent on complex contingencies like disability or where it is dependent on income which may be fluctuating and hard even sometimes for the claimant because some of the errors are the result of claimant error.

Q218 Paul Rowen: They are not the majority; with respect, they are a very tiny minority of the proportion. If you take the Social Fund, for example, 60% of all determinations when people are applying for a crisis loan are wrong. Given that that is an ongoing situation what are you doing to make sure that there are procedures in place within the department to make sure that that does not happen?

Mr Burr: A great deal. I cannot answer for the particular figures and I do not have them at my fingertips, but we are working with the DWP all the time in terms of where they need to focus in tightening up their controls, and the movement is in the right direction. There is a debate as to how far one would actually be able to eliminate error and causes of error without some more radical simplification of the system, which would bring its own problems in terms of the effects it would have on people's benefit entitlement, because some of the complexity is born of a desire to be fair and to distinguish appropriately between different types of claimants and different situations.

Q219 Paul Rowen: In terms of the changes that are now happening, with all the disability living allowance changes, what discussions have you had with the DWP about making sure that the project management and the systems are in place? I am told that there are going to be, on DWP estimates, 55,000 lone parents this year that are being moved off one allowance onto another and are going to need to apply for a crisis loan because the system is not able to cope. If that sort of thing is known about, surely in terms of risk taking or whatever somebody should be doing something about it to make sure that the system is sorted.
Mr Burr: As part of our audit of the department we are looking all the time at the controls which apply to benefit entitlement and whether the benefits officers who actually make the decisions are in possession of the information they need to have in order to make accurate decisions and whether they do in fact make the correct decisions—that is really what a lot of our audit work with the department is about. Has there been overnight a transformation, no there has not, but the direction of travel is where one would want it to be. It does, however, get increasingly challenging because the benefit system is, for good reasons, very complicated.

Q220 Chairman: Can I just ask Ann, who has an intimate knowledge of the DWP, for any observations on this?
Ms Abraham: This is such a wide-ranging discussion—

Q221 Chairman: That is what we do.
Ms Abraham: Absolutely; I am just wondering where to start. I had the dubious pleasure some years ago as a non-executive director of chairing the audit committee for what was then the Benefits Agency, and I remember being pretty astonished that year on year qualification of accounts was something that people just thought that is how it is really, how could you expect anything else, and I was pushing very hard—I had never had a set of accounts qualified in my life—I thought we cannot be having this. There is something which is around attitudes, and I do not for a moment suggest that Leigh Lewis shares this view, that if you are in that sort of complex business with multiple transactions you are never going to get it absolutely right and it is something that constantly is challenged. What I was really interested to hear was what was being said about the differences in the performance assessment regimes really for central and local government and whether there was a gap here. I was very sympathetic to what Tim was saying about not being able to take the same sort of approach as the Audit Commission, and I can remember when I came into this job looking at the Local Government Ombudsman's annual letter to local authorities and thinking that is a jolly good idea, I could do that. Actually it became rapidly apparent I could not do that because I was dealing with departments which were hugely different and therefore I could not make any sensible comparison, so I quietly dropped that idea.

Q222 Paul Rowen: Is not the principle though that the local authority fails, the inspectors go in; a school fails, the inspectors go in, it may happen to Haringey next week, but the DWP regularly loses £2.5 billion, oh well that is fine.
Ms Abraham: There is a big but here about that different sort of regime and how it impacts really on the leadership. I had a fair old go when the capability reviews were being designed, to get in there something about complaint handling across departments, customer focus across departments, and I failed miserably to get that built in. But it seems to me that there must be cross-cutting things across departments, whether it is about financial management –complaints handling would do as one of the components where you could look across and do comparative performance work.

Q223 Chairman: Even to the extent to which they are achieving their stated objective.
Ms Abraham: Absolutely so, and it comes down to this clarity of what constitutes success and failure, which is about good performance assessment and monitoring, and is that going on. That is what seemed to be coming through here for me. The other big strand is Tim talked about the work that is going on and trying to help government learn, the pace at which it does learn and the extent to which it does learn—painfully slow, usually on the job at the taxpayers' expense. Well actually, is that okay? No, it is not okay; it makes me angry and I am sure it makes a lot of my colleagues angry. It is that sense, I think, about what happens to all these recommendations. There is a lot of evidence, it seems to me. Let us stay with complaint handling; the *Citizen Redress* report the NAO did recommended that departments collect information on complaints in a systematic way. What happened to that? The DWP report—these are recent reports this year—the potential to learn lessons from complaints, not fully utilised because of the lack of a department-wide system. Health and social care—lack of systematic learning from complaints to improve NHS and social care services: both networks lack methods for capturing learning. This is across central and local government and there are missed opportunities for learning and continuous improvement. I just think about some of the work that we have done where the NAO have also been involved—I come back to these ex gratia compensation schemes, three spectacular

failures, civilian internees, the trawlermen—you could not make it up, it is just an extraordinary story—the miners' compensation scheme. I made recommendations, the NAO made recommendations for cross-government guidance on what to do if your minister says we need an ex gratia compensation scheme. I am sure the Treasury has got a nice tick in the box against ombudsman's recommendation complied with, guidance in managing public money. Now who has learnt anything from that? To what extent are civil servants aware of that, what has been done to promote and share that learning, and those dreadful experiences that people have had to put right, and the next time a minister says we need an ex gratia compensation scheme because there is a political imperative that drives it, what will the next civil servant facing that situation do? I do not know where the learning is.

Q224 Chairman: Is it not your point that there is no bit of government or no somebody in government whose job it is to make sure that happens?
Ms Abraham: Yes, absolutely, and if the Committee wanted to drill down a bit into this, just tracking the learning from the work that has been done by my Office and the NAO on ex gratia compensation schemes; yes there is a bit of guidance in managing public money. Anything else?

Q225 Chairman: But it seems though there is no auditor who is doing that audit exercise.
Ms Abraham: If there is I do not know where they are.

Q226 David Heyes: But, Steve, you have got the machinery to do this, you have the experience, your CPAs are superb the way they refer to my area already. They really focus the minds of those local bureaucrats, those chief executives, those little local princelings, on getting the job right and working with your people to improve the performance. You have proved over and over again that you can do it and it is effective; why can we not translate that into central government, could you do it for central government?
Mr Bundred: Tim has already explained the position in relation to central government. Firstly, my experience of local government is that well-run, self-confident, ambitious organisations welcome external scrutiny because they themselves learn from it, so certainly I welcome the introduction of the capability reviews in central government. I have seen from my dealings with government departments that they are taken very seriously by the senior civil servants in those departments and that real things have happened as a consequence of those capability reviews. Whether there should be other forms of assessment and scrutiny I think is for others to comment on, but again my colleagues among senior civil servants if they were sitting here would no doubt say that they are already subject to a very substantial degree of Parliamentary scrutiny which local authorities are exempt from.

Mr Burr: On that note, how big a chunk of a particular department one bites off in conducting an accountability review of any kind is of course a question we can discuss, but it is not as if government departments are not exposed to scrutiny of what they do. If I could just refer to our own work, we produce 60 reports every year which look, I would argue, pretty thoroughly at aspects of departments' business, the Committee of Public Accounts holds 50 sessions every year and out of that, as our report indicates, it is possible not only to distil a lot of lessons but also examples of where that has had an effect and where its views have been addressed. I know that it would be better if, in a sense, the problems had not arisen in the first place, but that there is an accountability process which actually from all my contacts with permanent secretaries and indeed the wider view of the process in the media and elsewhere—actually the accounting officer system, which is a system of personal responsibility—is I think perceived by them and more generally as pretty tough.

Q227 Chairman: There is excellent evaluation of programmes that then feed back into departments and have some scrutiny through Parliament and so on, but the question that we are exploring is whether, comparable to local government, there ought to be some sort of more systematic external audit of departmental performance as a whole.
Mr Burr: Somebody referred to aspects of performance which one can compare and we would certainly agree with that, and I give two examples. We have, for example, work on service contract management across departments, looking at how they do tackle the sort of issues that Mr Prentice was referring to. We have embarked on a series of reports on financial management in departments which look at the financial management of the organisation as a whole rather than just at particular programmes, and the reports that we have produced jointly with the Audit Commission on financial management in the National Health Service have been of that character and have received a good deal of attention.

Q228 Kelvin Hopkins: If I can go back to what Ann said earlier and also to her speech she made at the Centre for Public Scrutiny in 2005 in our papers, "Rushed and hasty legislation is introduced without enough consideration and consultation—leading to flawed services . . . " et cetera. Is not the real problem that politicians, particularly in this era of right wing revolution, which started really in about 1970, have driven through lots of policies which are deeply flawed and misguided? I will just take the example of benefits. If we had not had reform of local authority housing, there would not have been housing benefit administered by local authorities; if we had not had this (I think) potty idea of establishing tax credits instead of benefits we would not have had yet another department administering means-tested benefits. I have asked you before if in any sensible world, with one government department administering all sorts of benefits would we have less means-testing? Is it not the politicians' fault?

Ms Abraham: I am not going to say yes to all of that, as you would expect. I said earlier something about the way the political dimension actually can play against good administration, and I was very taken with what Tim said about tax credits. Take tax credits as an illustration: I agree with what Tim suggests is possible, that it should not have been necessary to learn on the job that the recipients of this benefit were likely to budget on a weekly basis. I can remember sitting with some fairly senior civil servants from Her Majesty's Revenue and Customs in the fairly early days, before we produced our first tax credit report. We were talking about the experience of complaints to us and the impact of what was going on here when we had not just overpayments but fairly systemic maladministration just across the delivery of all of this, lots and lots of problems. They were at pains to explain to me how this system was supposed to work; it was annual assessment and it was important to understand that, and that "if people were overpaid, what they should do is put this money in a nice little interest-bearing account". That is a quote. It seemed to me that there was a total lack of understanding about the customer base. If you are planning the delivery of a new benefit to a new set of customers who you have not worked with before, is it not a good idea to go and find out something about those customers or talk to some people who do know about those customers, which is probably any MP and most advice sector organisations. But it really was a revelation I think, certainly from what I observed, that the beneficiaries of tax credits were likely to budget on a weekly basis and were not going to carefully put aside what was possibly an overpayment because life was not like that. What do my *Principles of Good Administration* say about being customer-focused, designing things well, planning well—it is perfectly possible to work that out and to say well actually maybe we need to build in some safeguards rather than find it out along the way. What was going on there was poor administration in the sense of designing things without proper research. If the proper research had identified that what you then needed was quite a complex administrative system which was going to be difficult to run and needed, in language I have used before in front of this Committee, meticulous administration and needed to be quite people-centred, you could not do it all by automated systems, you needed people intervention to sort out the nonsense, then the message to ministers would have been if this is what you want to do, then actually the administrative cost of this is likely to be quite high. If that was working well then the combination, it seems to me, of good administration, the courage to tell ministers that actually if that is your policy objective there might be other ways of delivering it, ought to play towards good government. I suppose that is a very longhand way of saying, you know, if there are daft political ideas about the place, but in order to deliver perfectly good and laudable policy objectives, then working well together—legitimate policy objectives, good administrators, good leadership—ought to get good results.

Q229 Paul Rowen: How do they learn the lesson? We have now got a situation where we have had all that and we know all about that; we are now getting lone parents back to work and, as I say, they estimate that 55,000 of them are going to need to apply for a social fund loan because of the difference between the timescales of working out what they are entitled to and the payment. How do you make sure that down the track the same department is learning the lessons from its previous failures?
Ms Abraham: You will probably read the next report that the NAO are going to produce on helping government learn, but fundamentally it seems to me that there are cultural shifts here about being open, to learning, to scrutiny, to external challenge which, from my observations, are not built into the civil service culture.

Q230 Kelvin Hopkins: I think you have made my case and we agree.
Ms Abraham: We invariably do.

Q231 Kelvin Hopkins: You are all three of you admirably cautious in what you are saying, restrained—understandably so—but there must be a point at which you go home and say quietly to your friends and relatives, what are these mad people doing?
Ms Abraham: I go home and I say "Kelvin Hopkins was right again".

Q232 Kelvin Hopkins: Behind closed doors you must sometimes tear your hair out, I am sure, but let me turn to Steve. You make some very complimentary remarks about local government officials, local government administrators, and many of them I have met. Equally I was a councillor 35 years ago, but central government has not trusted local authorities and Mrs Thatcher abolished some of them. She cut the ground from underneath them financially by taking away some of their funding, and now we have a government which has insisted on things being farmed out to quangos, to ALMOS, to trusts, to housing associations, to academies, to new deals for communities—surrounded by consultants and privatisation. Then they have changed the structure of how local government works to give as little power as possible to the backbenchers. You have officials in local government who are constantly looking over their shoulders and ticking boxes to please central government rather than actually being driven by what they should be driven by which is their public service ethos. Is that not the problem?
Ms Abraham: A simple yes or no will do.
Mr Bundred: It is important to recognise how local government itself has changed enormously over the last 20 years. Mrs Thatcher may well have been right to have reservations about some aspects of local government at that time; certainly we have seen enormous improvement in the performance of local authorities just over the last decade and with that, and as a consequence of it, we have also seen a development in the relationship of trust and understanding between local and central

government, and as I said in my opening remarks, I think the new local area agreements are a manifestation of part of that. My answer would be that the relationship between local and central government is constantly changing, as is the relationship between both local and central government on the one hand and the public on the other, and the longer that local government can continue to demonstrate improvement in its performance the greater it will command respect from the public and from central government.

Q233 Kelvin Hopkins: Do not all these changes create interfaces, and interfaces mean cost, mean complexity, mean less accountability. Is that not undermining the whole essence of local government which is about open local democracy?
Mr Bundred: I do not think I would agree that local democracy is undermined. As I said to David Heyes earlier, our observation is that the best local authorities are characterised in part by strong political leadership and that strong political leadership is in touch with its communities, understands its communities and feels itself to be accountable to its communities. I would not agree that local democracy has been undermined.

Q234 Kelvin Hopkins: One question for Tim Burr because in the previous Parliament there was an attempt to legislate to effectively get the NAO under the wing of the Treasury, and many of us in Parliament resisted that; the legislation was dropped because it would never get through the House of Lords. Was that not the high point at which that particular government—in the same spirit as successive governments—was trying actually to aggrandise total power to itself and to resist criticism from outside organisations. They do not like Parliament, they do not like backbench MPs and they certainly do not like the NAO when it makes critical reports to the Public Accounts Committee.
Mr Burr: Forgive me, I am not quite sure that I can locate the attempt that you are speaking of to bring that about, but certainly we would strongly resist any such suggestion and I am sure the Committee of Public Accounts would as well.

Q235 Paul Rowen: There is a review going on at the NAO and it is described in this article here as, rather than muzzling the dog, trying to rebuild the kennel in the dark. What is happening and what should we be doing to strengthen the role of the NAO?
Mr Burr: What is happening is that the National Audit Office is being reconstituted so that instead of just being me and those that I employ, it will be a statutory board with a non-executive chairman and a small non-executive majority on the board. Arrangements are being carefully made so that that does not encroach upon the professional freedom of the Auditor-General to reach opinions on the accounts of government departments, and indeed on the value for money that they have achieved, but it is designed to ensure that within the organisation there are appropriate checks and balances dedicated to good administration.

Q236 Chairman: I want to ask you two very quick things, if I could ask them quickly and if you could answer them quickly then we are done. One is about this complexity point which comes out of Gordon's question and Kelvin's. Is it the case, do you think, that if you have a complexity of organisation so that people do not know who is responsible for anything any more, you probably should not do it, and if you have a complexity of administration so that it produces the consequences that Ann describes you probably should not do it. Should complexity by itself sometimes tell you that you should not go down a particular route? Just in a nutshell.
Mr Burr: It does tell you a lot and it would certainly tell you that you are at high risk. You need to ask yourself the question: do I have the capacity to manage that risk?

Q237 Chairman: Could I just ask you this finally. If you could just say one thing, all of you—and I know this is an impossible question but I am going to ask it—if there is one priority that you could point to that might assist in the search for good government, what would you nominate?
Mr Bundred: The point that I would make which has come up during the course of this morning's hearing is that leadership really matters and when central government attempts to provide leadership on often quite complex issues, too often in my view that leadership is undermined by inconsistency between departments and a lack of focus over time.
Ms Abraham: Mine is going to be a somewhat obvious answer but I would say—because I would say that would I not—take complaint handling seriously, do it well and learn from it.
Mr Burr: Politicians and administrators should work together really to understand the practical implications of the policies they are seeking to implement and understand that designing something properly does not need to call the policy into question but it is essential if the thing is actually to succeed.
Chairman: Thank you very much and thank you again for putting all the work in to produce these distillations of your own work, which we found very helpful. I hope you found them helpful to do; we have built on them today and we have had, I think, a very interesting and useful session. Thank you to all of you.

Tuesday 16 December 2008

Members present

Paul Flynn

David Heyes
Kelvin Hopkins
Mr Ian Liddell-Grainger
Mr Gordon Prentice
Mr Charles Walker

Witnesses: **Professor Colin Talbot**, Manchester Business School, **Ms Natalie Ceeney**, National Archives, **Professor Christopher Hood**, Gladstone Professor of Government and Fellow of All Souls College Oxford, and **Mr Tony Travers**, Director, Greater London Group, London School of Economics and Political Science, gave evidence.

Q238 Paul Flynn: Welcome. Thank you for your attendance here. We are extremely grateful for your coming along here today on this inquiry we are having into the portmanteau title of "Good Government". I apologise in advance if we are a bit like a French farce today in that members of the Committee will be coming and going because of the demands of parliamentary life; some will disappear and some will arrive late. Could we start by asking you what do you think the British Government does well and what do we do badly? Perhaps you would all like to contribute to this.
Professor Hood: I did put a one page paper in to this Committee which tells you what other people think the UK does well.[1] What that does is to show you 14 international indicators of governance or public services. The first column tells you how the UK or England, if it is separately identified, does against the rest of the world, insofar as that is captured in the survey. The fourth column tells you how the UK or England does relative to 13 other countries that I selected. I think broadly what you get from that brief account is that the UK does not come out top in any of these indicators. In the world ranking mostly it is in what you might call the Premier League. If you compare it: relative to 13 selected countries, which were basically advanced countries (I put in a number of Asian ones as well as European countries), the modal position is roughly in the middle third of that group. I think that is an indication of how others see us. As an academic I ought to say that there are all kinds of ways in which one should qualify this conclusion. This is not an exact science. We have to be very careful about the limits of measurement. We cannot be sure that these measures are reliable, but I thought as a way of starting the conversation it would at least show you how the UK is ranked on these indicators such as they are.

Q239 Paul Flynn: Would it be right to assume that the countries that come out top in these tables are generally the Nordic countries or not?
Professor Hood: I think that applies to a number of them, yes, but I did not select those for the 13 that I looked at (the group on the right).

[1] Ev 151

Q240 Paul Flynn: What are the main failings? Why are we not top in these? How are other countries doing things in a superior way?
Professor Hood: There is some overlap among these indicators in the sense that these are the World Bank's government indicators, the ones that are very commonly used to measure quality of government, although they have numerous faults. The things that I think prevent the UK from being top are related to issues of transparency; it is certainly not top of that league. I think on voice and accountability it tends not to score so high, but I could give you detail of that if you want me to.[2] I have got them on my computer indeed if you want me to check that out for you.

Q241 Paul Flynn: Would the other witnesses like to suggest what we do well or what we do not?
Professor Talbot: I will chuck a couple of things in, one of which I do not think does appear in any of the lists that Christopher is referring to and it is what I would call universality, which is to what extent does a state actually regulate, control, tax and pay out benefits on a universal basis within, and provide services within, its territory. We have got some pretty good examples of failed states where that does not happen on a very large scale. The UK again actually falls somewhere around the middle third. It is probably slightly better on that in the sense that if you look at the best estimates for the size of the shadow economy across OECD countries, which is that level of unregulated activity that is taking place within society, we are running at about 12% of GDP and the OECD average is about 16% of GDP, and again the ones that do particularly well on that are the Nordic countries, Japan and, surprisingly, the USA, which has a very low level of shadow economic activity. Let me just give you some idea of what that means in practice. If it is about 12% in the UK, that is about £155 billion-worth of economic activity or about £50 billion-worth of missing taxes, which I think the PAC got wrong last week by the way. That is pretty fundamental. We are better than

[2] Note from witness: It is generally true that the UK's score on the WBI governance indicators is lower than those of the major Scandinavian countries, but not greatly so. The area in which the UK most notably falls behind the regional average in the latest WBI indicators is that of perceptions of political stability.

the OECD average, but there is still a major problem there about to what extent our state is capable of regulating what goes on in society.

Mr Travers: I would not disagree with anything my colleagues have said. I think in a sense the quality of the things that government does best in Britain are certainly related to a public capacity to take part in politics and government, but those things are also a challenge at the same time. One thing I would say is that there is something of a problem for a lot of the indicators—and Christopher did not say there was not—in that some of them are capable of being challenged because the way things are judged within one country will be very different to what goes on elsewhere and you can never quite escape in this country the implications and the effects of the media on how things are judged. I think I would be interested in unraveling, not now necessarily, to some degree the extent to which perceptions of what is well done and what is not done are influenced by the way issues are tackled by the media in one country compared with another.

Ms Ceeney: I am the non-academic member of this panel and, to be honest, this is one of the questions I think is probably best tackled by those with a strong evidence base rather than mine.

Q242 Paul Flynn: Could we look at a concrete example? The Regulatory Reform Act 2001 was an Act that went through Parliament and it was designed to enable provision to be made for the purpose of reforming legislation, but it had the effect of imposing burdens on persons in carrying out any activity to enable codes of practice and so on. Anyway, the Act was so incomprehensible that another Act had to be brought in called the Legislative and Regulatory Reform Act in 2006 to put it right and to explain what the previous Act was. Is this an area where you are critical of some of the legislation that goes awry and possibly other Acts that you can think of where we legislate to no purpose or to no good purpose?

Mr Travers: This is not something I have researched, but clearly the very large amount of legislation and secondary legislation that is passed these days and the speed with which some of it needs to be put through Parliament will and does provide challenges in both comprehensibility and interpretation, I would have thought, inevitably and certainly would distance the public from any capacity realistically to follow what was going on and, partly because of the historic way these things are done, to be able to understand a great deal of what is done through the passage of legislation. So both the scale of it, which is much larger than in the past, and in terms of the way it is done and the complicated processes I think must be a barrier to the kind of transparency and understanding that the people who are supposed to live within and abide by the laws concerned are always going to have difficulty, I would have thought, in a system that has grown in that way, especially given that expectations in the rest of society have moved in a different way. The desire to understand the capacity of institutions and bodies to explain things has grown significantly, whereas the process of making legislation and the scale of it has not.

Professor Talbot: Legislation is about implementing policy and really it is the policy making that comes before the legislative step which is absolutely crucial for clarity about what it is you are trying to achieve. One of the things that we have seen happen over the last decade or so was a great deal of interest at the beginning of the new Labour Government in evidence-based policy. The NAO and the Cabinet Office produced guidelines about what good policy making should look like in round about 2000–01 as the prior step before you get to legislation or programmes or whatever and then everybody quietly forgot about it and, as far I am aware, there has been no attempt to go back and evaluate at all whether or not that has been thoroughly implemented, which I do not think it has. Particularly of interest is the capability reviews which have been done on departments have had hardly any focus at all on the policy-making capabilities of departments. They looked at strategy and leadership and delivery, and the one thing that we have always boasted about in our senior Civil Service is supposed to be their policy making and advisory capacities and yet that was not included in the capability reviews.

Q243 Paul Flynn: Have you seen an increase in evidence-based policy?

Professor Talbot: No, I do not think so.

Q244 Paul Flynn: We have recently decided to reclassify cannabis from Class C to Class B on the basis that having reclassified it from B to C resulted in a reduction in cannabis use, and there was some evidence on which the Government based their policies and it was the 639 informed organisations and bodies who were asked for their view. Nineteen per cent agreed with the Government's policy of moving it from C to B, 44% were against and 19% wanted to see cannabis legalised. How do you see that as an example of evidence-based policy? Is that typical of what governments do, which is really adding policies that appear to be more evidence free policies?

Professor Hood: There are always going to be examples of that kind. It would be strange if you did not find examples of that type. All I would say is that over my professional lifetime—and I have been studying government for 35 years or so—actually much more data both about performance and about perceptions is available now than it was 35 years ago. Of course, how it is used when it gets into the system is different, but there is no question that there is more information available. Not all of it is of the best possible quality, of course, but the direction of travel has definitely been towards the collection of more information about performance and indeed public perceptions as well.

Q245 Paul Flynn: Tony, you wrote a book on one of our acknowledged legislative atrocities and that was the poll tax. Do you think if people had learnt the

lesson from the poll tax they could have avoided the 10p tax rate that was recently brought in, which was another one in that category?

Mr Travers: There is no question that the poll tax failed partly for reasons that are implied by your previous question and that is that, even though there was evidence available, it was decided not to react fully to the evidence and to carry on with the policy. Going back just for a second to your previous question, it seems to me that the notion of consultation includes two very different potential ideas, one of which is to consult people in order to find out what individuals and organisations believe and then to respond to it in a way that takes a balanced view based on that; and the other is to consult them about something the Government is going to do in order that they know the Government is going to do it come what may. I fear the poll tax fell more in the latter rather than the former category. So although there were a number of signals and warnings both from within the Civil Service and from external researchers about the potential impacts of the poll tax, the Government at the time was committed to it and got into a sort of "I've started so I'll finish" mode from which any amount of consultation and evidence would never have delivered them.

Q246 Paul Flynn: In both these cases I believe Mrs Thatcher said that nobody told her the effect and there seemed to be a similar position for Gordon Brown in the case of the 10p tax. Are they really living in a remote world where people are frightened to tell them?

Mr Travers: In fairness, the model of government we have in Britain, the notion of majority governments, preferably with sufficient majorities to deliver particular policies and to get things done, you will hear lots of debate about the aversion of Britain to coalition government as a weak government. In a sense buried in that model, whichever party or parties you support, does seem to me the idea of government taking office and to some degree delivering on its manifesto and doing what it said it would do or, if it did not say it would do it, delivering things that it wants to do, the notion of the U-turn being a bad thing in British politics. That does affect the way governments behave. Any amount of evidence, warning and caution from different quarters will to some degree will not work in some circumstances, particularly where a government has decided what it is going to do.

Ms Ceeney: I was just going to add to one aspect of this debate which we have not covered which is around the delivery of policy. I think where we also sometimes go wrong is, whatever evidence we have got for policy, we sometimes have a big disjoint between the policy for the motion and the delivery, assuming somehow that policy formation is a skill in itself that is somehow tinted by having to deliver it. In my experience that does not exist as much in the private sector where strategy formation and delivery are seen as a deliberately linked chain. I think we would also get better policy if policy-makers understood more about delivery and we did not have that stark divide between policy and delivery that I think we have too strongly in the Civil Service.

Professor Hood: The poll tax problem is not a new problem. I started my academic life studying Winston Churchill's betting tax of 1926 in which he managed to impose a tax on betting that cost more to collect than the revenue that it brought in, a spectacular failure. All the things that Tony said about the poll tax were exactly reproduced.

Q247 Mr Prentice: Tony, I allowed myself a little smile when I read your piece in *Public Finance* on 6 June where you said, "But it is almost impossible to imagine a Brown-led government increasing taxes for the better off," and that is just what has happened. Do you feel kind of chastened that you got it so badly wrong just a few months ago?

Mr Travers: I am sure the observation was right at the time it was made as it were. Things change, as you know, in politics. I do not need to say that across this room. As you will know, governments make decisions from time to time that we cannot predict. I certainly would not pretend to be a soothsayer. Let me trade you things I have got worse wrong than that: Giuliani versus Clinton for the American presidency. We all make mistakes!

Q248 Mr Prentice: The reality is that we spend a lot of time on this committee talking about governments being learning organisations and there is a long list, ever growing, of policy cock-ups going back to the CSA, tax credits and the 10p blunder. Will we ever get to a situation where governments genuinely do learn from mistakes and perhaps develop policy in a different way and deliver it more effectively?

Professor Talbot: I feel the situation is getting worse in our government at the moment on that. One of the great strengths of British public administration 30 or 40 years ago was that, whilst there was a great deal of velocity even then in the movement of senior civil servants and ministers, there were always files, there was always a way of going back and looking to see what had been done in the past and, frankly, that does not exist anymore. My experience from talking to people in Whitehall is that it suffers from organisational amnesia, not organisational learning. You can sit in a room with a group of people and their memory goes back as far the longest serving person in the room in that particular function and there is very little attempt to really build on learning. That is not just a problem for Whitehall itself, I think it spreads across. There have been one or two interesting attempts to try and do some retrospective learning, for example, the Public Accounts Committee report a couple of years ago which went back over their own reports around efficiency and waste issues over a number of years to try and draw out some of the lessons from that. The National Audit Office does not do that. It has got 500/600 value for money reports it has done over the last 15 years. It rarely, if ever, goes back over the ones that address a particular set of issues and says, "What have we actually learnt over the last 10 or 15 years?"

Q249 Mr Prentice: Is this institutional memory you talk about inevitably going to erode as we move away from the career Civil Service, coming in the fast stream and ending up as a mandarin, instead just bringing so many people in from outside?
Professor Talbot: I think it is a combination of personnel and systems. We have a very high turnover in senior civil servants in particular functions, they move very rapidly from job to job, so the personnel memory evaporates very quickly. In the past, there were paper-based filing systems and departmental libraries and those sorts of things that collated all this information together and it was readily accessible. The electronic systems that have by and large replaced them mostly in government do not allow that sort of thing to happen.
Ms Ceeney: I have a slightly different analysis. I would agree with the problem. I think my diagnosis would be different. I worked in a professional services firm, in consultancy, where the average turnover was two years and we had brilliant organisational learning because the systems were there and the culture was there. So I am not convinced that having fast turnovers necessarily means you would lose institutional knowledge as long as you build the systems around it.

Q250 Mr Prentice: How would you compensate for that?
Ms Ceeney: You do need to make sure you document learnings. You need to have a culture where the first thing you do on taking on something new is find out who knows about it. I think that what we need to do is primarily cultural. I know what government record keeping looks like, it is one of my responsibilities. I think we are still keeping files. I think the problem is people are not necessarily starting by looking at them. So I think the issue is primarily cultural.
Professor Hood: It is all very well to keep files, but you have got to have human beings that know that those files exist and where to find them. I referred to Winston Churchill's betting tax of the 1920s when under Jim Callaghan's chancellorship in the 1960s we went back to betting taxes. None of those files were consulted and that was in the heyday of this paper-based system that Colin has been talking about.
Mr Travers: At the risk of in any sense weakening what my colleagues have said, again which I agree with, I doubt that this phenomenon is unique to government or government in Britain. If we just take a different sphere of endeavour, ie the regulation of banking, much in the news lately; everything that is happening in this problem and affecting banking today can all be read about in Galbraith's work having happened many times before in the past. One of the points Galbraith makes relentlessly is that people will again and again and again forget the last time all this happened and then it happens again and they say it will never happen again and it happens again. It would be wrong to believe that what you are describing only occurred in government. I am not saying that it should happen less in government and that memory and collective memory is important, but I do not think it is unique to government. You are not saying it is.

Q251 Mr Prentice: It is about minimising the chances of it happening again, is it not?
Mr Travers: Of course.

Q252 Mr Prentice: Natalie, your colleague Andrew Stott said that better information sharing among the public services could prevent tragedies like the Victoria Climbié and the Baby P deaths. This mismanagement of public sector information cost £21 billion a year, a staggering sum of money. What does this mismanagement that you talk about look like and what can we do to remedy it?
Ms Ceeney: I think in a way, stepping back a bit, we are in a very different era now than, say, just a decade ago in that, if you take the equivalent of paper files, protecting public data might have been physical locks and keys and security guards but now we are talking about IT security. We have got a population who expect to be able to get tax discs online and talk to government online. There is so much more information flowing out over the ether. I cannot think of a government service that does not run on information and that would not have been true a decade or two ago, and I do not think it just applies to government. We are in a different era requiring a different skill set and I think we—the public and private sector—are struggling with that skill set because it is not where civil servants grew up and that is not necessarily the traditional skills that were recruited. If you look at something like keeping records, the people you would have recruited two decades ago would have been filing clerks, but now we need people who understand IT security and have influencing skills and can persuade civil servants what to do with floppy discs or memory sticks, it is quite a different skill set. Essentially what Andrew and I have been saying is we need to build the capability to manage information as a core skill of government in a way we have never had to do before, but in the same way it is a core skill of government to manage money and we need to see managing information in that same way as managing money because, as your example showed, it is critical to prevent tragedy and it is also critical to manage information so that tragedies do not happen. For example, revealing data inappropriately could lead to very dangerous things.

Q253 Mr Prentice: Is there not a very big downside about data sharing on the scale that you are inferring is necessary?
Ms Ceeney: I think there are big risks of doing and big risks of not doing and I think the challenge is balancing that. The ends of the spectrum are very easy to illustrate. We all know that if we have got a dangerous prisoner in one prison the police force need to know when they are going to be released or they need to share information between agencies, say, on terrorism. I think that end of the spectrum is very clear. On the other end of the spectrum, someone's health data needs to be kept private and

we all get that. The challenge is the middle of the spectrum. Let me give an example that was highlighted by David Varney in a report about a year and a half ago. At the moment in Britain if a relative dies you have to notify on average about 44 different bits of government with the same information. That is not very good for the citizen and it is not particularly efficient for government. That starts to lead you to think, "Wouldn't it be more sensible if, with consent, government could act once on that bereavement notification and help you?" Another similar example is free school meals. Someone could be registered for benefits and yet have to wait nine months for an application for free school meals to be processed. You can see some advantages. What we have got to do is put the protection around the management of that information to make sure that the benefits do outweigh the risks.

Q254 Mr Prentice: I understand all that. If you are going to personalise public services you need a huge amount of data on individuals that lots of people can access. We know from the data loss that happens regularly that people do not have confidence that the state can keep information which they would consider to be very personal to them under lock and key. This is the big problem, is it not. There is a flaw in this whole personalisation argument, the information could just seep out?

Ms Ceeney: I think it is a skill set we are building up as opposed to a flaw in the argument and it is competency we have to get. I do not think the private sector is any better. Equally, we hear stories in the press of private sector retailers or banks or building societies releasing data. I think the challenge is the world has moved so fast in terms of technology we have not all got the skills to manage it, but we need to build those skills urgently. There are various things going on to try and build those skills. In the last 12 months I have been in the Civil Service I have watched a phenomenal amount happening, but we started from a lower base than any of us would like, I think because of the speed of this change. I do not think citizens would want to go back to the point where you have to tell government 100 times every time you do something or you have to go back to the post office to do a tax disc rather than do it online.

Q255 Mr Walker: Do you think government should ban the phrase "lessons learned" from everyday language? Whenever there is a cock-up—and there will always be cock-ups, government is an enormous undertaking—we have permanent secretaries here, we have ministers and they say it is important that lessons are learned. It is a fairly hollow sort of phrase, would you not agree?

Professor Talbot: I think lessons being implemented would be a more useful phrase. I was struck by Sir Michael Bichard's inquiry after the Soham events where he took the opportunity to leave the inquiry open after he had written his "supposedly" final report, but it was not actually the final report, and said that they would reconvene six months later or a year later and see what had actually been done in terms of implementation. That was quite a novel innovation and from my understanding, talking to people in Whitehall, it had quite an impact because it was different from the normal situation where committees of inquiry like that meet, produce a set of recommendations, they get distributed around Whitehall to the relevant departments and disappear without trace in many cases. In the case of the Bichard Inquiry, departments were forced to set up units to think about how we are going to justify in 12 months' time to Sir Michael that we have done something. It seems to me that some mechanisms like that might help when there are cases like this, rather than having an inquiry and then forgetting about it. I was on the Prison Service inquiry after the Derek Lewis affair and we reviewed about 20-years' worth of inquiries into mistakes and errors and major calamities in the Prison Service, and the lessons were exactly the same every time and none of them has been implemented because they come along, have an inquiry and that is the end of the matter.

Mr Travers: I think there is a difficulty in government in the sense that politicians who are in charge at any one point will always move on and always with the presumption that moving on wipes the slate clean. If you look back through great political disasters of recent times, the poll tax has been mentioned, rail privatisation, the Underground, PPP, the 10p tax thing, the Child Support Agency, it is difficult to think of politicians particularly taking a hit as a result of that but civil servants may have done. In the end there is a sense that these things happen in politics so it would not particularly damage any politician's reputation and anyway, they move on. Why should the new politicians not assume the rules would be the same for them when they get to the top of government?

Professor Hood: I do not think you can legislate for the use of language, but, after all, you are the legislators so perhaps you can. I would only want to say two things in response to your question. One is that sometimes a fiasco can be an opportunity for the executive machine of government to put something onto the agenda that it otherwise would not get onto the agenda, and I have come across many examples of that where actually the problem, whether it is dog bites or something else, gives a window, as they say in politics, for thinking that has been developing inside the government machine to be translated into action. I am not sure whether you would call that learning, but it does offer an opportunity to put something onto the agenda which otherwise would not find their way on to people's agendas. The other thing that I wanted to say is that I think individuals learn, but I am not sure that it is so easy to speak about organisations learning. I think opportunities for real learning to occur in British politics come fairly rarely because in order to learn from your mistakes you need to have had both a bad experience and a second chance to try again with a different kind of approach. In recent years we have had very long lived governments and that means that by the

time a party comes back into office much of the experience of what it might have done wrong in the past has disappeared. A quite rare example of a case where you did see real learning, I believe, was when you went from the Heath Conservative Government to the Thatcher Conservative Government with only five years or so between them and with a large overlap in the Cabinets of those two systems. There I think you did see learning, but I think that happens very rarely.

Q256 Paul Flynn: Natalie, you have slightly different experience to everyone else. Is there any real difference between the public sector and the Government? We suggest the governments tend to start from the year zero.

Ms Ceeney: Could I give maybe a perspective on the previous question and come back to that? I have got a slightly different take. Hindsight is a wonderful thing. We can look at what went wrong with hindsight, but maybe some of those ideas were driven from motivation at the time that might have been based on some evidence, it just did not work. The reason I say that is the one area—coming from outside the Civil Service—I think the Civil Service is weak at is innovation. The problem with innovation is some things will go wrong. I think we have to be careful on that balance between what risks we are prepared to accept. If we are going to scrutinise everything that ever goes wrong and say "How could we have prevented it?" we are also going to prevent innovation that could be good and that would be something that is very different in the Civil Service. I think you have got the level of ministerial direction and political scrutiny versus, say, the private sector, but that would be something we have got to keep a careful balance on.

Q257 David Heyes: I think all of you in different ways have criticised the over-centralised nature of British Government and you have each come up with slightly varying formulas for what we ought to be doing about that. My personal experience for many years was in local government, I guess that is true of lots of other MPs, and I still have good memories of working with some excellent people, people I still work alongside now who are constantly frustrated by the poor performance of central government, by the lack of coherence in the policy, the constantly changing agenda, short-termism, "the Whitehall knows best" idea, which clearly is not the case. I just want you to try and get a feel for those things that are best done centrally—clearly some things are—and those where we ought to be devolving and decentralising. I would like to hear your views on that.

Mr Travers: There is no doubt that the United Kingdom is, despite the frame of Scottish and Welsh devolution, a centralised country and it is best measured in some ways by the degree of tax taken by various levels of government. OECD figures exist for this and they show very clearly that, if you look at the state plus local proportion raised in different major democracies, Britain is right at the bottom of the list. The only ones that are down there with it, there are smaller countries such as the Netherlands and Ireland, but of the bigger countries and certainly the federal countries, the UK even within the bigger unitary countries is a huge outlier.

Professor Hood: Australia is close.

Mr Travers: Possibly. This being the case, that inevitably centralises decision making and creates, particularly in England, the decision making that has been devolved to some degree to England and Wales in a new way, but certainly in England creates a position where the Prime Minister and senior Cabinet members are seen as being absolutely responsible for an array of things which, frankly, in any good government system they would not have been. Let me use an example that has been touched on already. I find it unusual that when the Prime Minister is in Washington at a financial summit he is put under pressure to talk about, however serious and important they are, the issues back in Haringey and that happened recently and it is a measure of how centralised the UK is. I doubt Mrs Merkel is put under equivalent pressure for problems that occur in local government in Germany. It is simply a measure of the centralised nature of the state, and I think it hints at the fact that a lot of decisions are made or are forced to be made towards the top of government, which in most rational systems and good government systems would be made further down.

Q258 David Heyes: I think that is a good criticism and I would like to hear what the other panel members have got to say about it but also with some comment on what we ought to be doing about it. It is okay to criticise it and I think you would get universal agreement on the criticism that Tony has just made, but what ought we to be doing to address it?

Professor Talbot: I would add a couple of things to that. I think the financial centralisation is the absolutely crucial one, I think Tony is completely correct about that, but there are a couple of other bits of the UK system which I think make the situation worse. The first is that there are a number of functions which are run directly by central government which in quite a lot of other advanced OECD countries are not. I am thinking of things like prisons, even tax collection, benefits payments, those sorts of things which we insist on running as centralised functions. We do have separate prison services in Scotland and Northern Ireland and the world does not fall apart as a result. There is no reason why we have to have a prison service for the whole of Wales and England, which is a fairly mammoth institution. There are a number of areas around that and that would also help to shift the balance between central and local. The other thing which I think is striking in the UK compared to most of the other jurisdictions in the OECD countries is the degree of separation between the Civil Service and the rest of the public service with one or two

exceptions like health and, to a certain extent, criminal justice. The separation between people who work in the centre of government and spend most of their careers there and/or popping in and out to the private sector occasionally and people who work in the rest of the public service is very, very strong. In the last 10 or 15 years I think we have had about two or three at most permanent secretaries who have come from other parts of the public service, for example, and that simply would not be the case in most other countries. There would have been much greater interchange between senior people right across the public sector. I think it is one of the things that leads to the insularity in Whitehall and lack of understanding of some of the implementational problems that we were talking about earlier.

Professor Hood: I would not disagree with that. I think that compared, say, with Germany the difference that you find with the central Civil Service is that in the highest directorate you do not have the equivalent of the political civil servants—I am not talking about special advisers—large number of political Civil Servants who act in the topmost directorate in the German Civil Service and the same thing applies to many other Civil Service systems. So it really is quite difficult to make a comparison taking that element out and allowing for it. You may be getting on to issues that are constitutional as it were. If you think of the parallel with Germany and how the state (Land) elements feed into policy making at the central level, that tends to work through the Upper House of Parliament where the states are represented. We have no equivalent to that in the United Kingdom. So to the extent that it happens, it happens either through party channels during those times, for example, when the party that holds government in Westminster is also dominant at the local government system, which happens some of the time but not all of the time, or it comes in through the policy-making process that Colin spoke about in which sometimes—and I have seen examples of this—you do have effective local government input into the way that White Papers are written and so on. To the extent that you can fix it without constitutional reform, you would have to look to those kinds of policy kind of processes and attempt to improve those.

Q259 David Heyes: Natalie, is this your area?

Ms Ceeney: I am not sure I have the answer on how to fix it but I would argue it is kind of imperative we do. I think the challenge we have is that the problems we need to address in Britain today really do require citizen focused solutions which mitigate against "silo-based, down from one department out" and everyone should do the same approaches. Where I have seen bits of policy really work is because an awful lot of agencies joined up and that has got to be locally driven. As an agency Chief Executive I am rather biased on this subject, but I think you do get more innovation if you are running locally tailored customer driven services than necessarily if you are sitting on a central Whitehall policy team. So I think we have got to find a way through. I do not really have anything by solution set to add to what my colleagues have said.

Q260 Mr Walker: What does that mean in English?

Ms Ceeney: I will make it very practical. I run an organisation of 650 staff. We serve 250,000 people who walk through our doors every year. As a Chief Executive I see customers everyday. If I am thinking of what my organisation needs to do, I can walk down and chat with frontline staff who know. I can spend a day every now and then sitting in the reading rooms and hear from my customers what they think. It makes policy formation really real. I have got a really good insight into what the customer does. It means I can work on the ground, for example, if the customer is using my service, and also work with other bits of government services and they do in the information area. You can make that pretty local, but it is local. The solution we might come up with in London would be different from another city and would be different from a rural solution. I think the more that can be practically done in terms of providing citizen services locally to the customer and understanding the customer will mean you will get locally tailored customer solutions. The inherent problem there is if ministers are going to be accountable and feel accountable for everything I do, understandably they are going to want a very high degree of centralised control, and there is the tension, but I think you get better delivery if you can make it local.

Q261 Paul Flynn: You would regard the creation of the Next Step agency as an unquestioned success, would you?

Ms Ceeney: Largely a success. I think there were challenges. I have worked with a lot of colleagues in agencies and I have seen some very, very good people run agencies who have come in from outside the Civil Service because they are attracted by the idea of really making a difference in running something who probably would never have come into a policy role. I have seen huge amounts of innovation. I sit on the Board of the Agency Chief Executive Association and see huge amounts of innovation happening. I think the challenge is we have still got to learn how to do the governance around that. In my experience either things are quite central or they are quite devolved. There is a governance set of thinking which really needs to develop, which is a debate that is happening in the wider world at the moment, about regulation and governance more generally, because if things go wrong inevitably a minister is going to feel completely accountable for it and if they have not got a level of governance and transparency that gives them confidence about what is happening in that agency, albeit at arm's length, it is not going to derail them, but inevitably the tendency if something goes wrong is going to be to pull it back. I would argue the devolved agency model has been a success. What we have not quite cracked yet is the governance that gives confidence to the centre: political and Civil Service.

Professor Talbot: My best estimates are that at one point we had about 85% of the Civil Service working in executive agencies. I think we are down to about 50% now. At one point we had the five largest agencies employing about two-thirds of the civil servants working in agencies. That is down to three agencies now and one of those probably is not an agency, Job Centre Plus effectively, it is just a vertical structure within DWP. The agency's programme has been rolled back quite substantially, very quietly but through a series of amalgamations, mergers and various things being taken back into government departments. Agencies are nothing like as important a part of the mechanism in central government as they were 10 years ago.

Q262 Paul Flynn: Can I warn the witnesses that our next inquiry is into bad language, which is the sort of language of jargon, acronym and management speak, so we are very hot on the use of jargon here!
Mr Travers: Just briefly, to rise to Mr Heyes' challenge, to put it bluntly, it is all very well to come along and criticise things—

Q263 David Heyes: I was going to come back and criticise all of you on that. You can all respond to it.
Mr Travers: It gives me an opportunity to make a point I was going to make in the previous set of exchanges. Of all the examples one can think of where politicians of all parties did learn a lesson from a policy failure, local government finance is one where they did, and the impact of the community charge has had a profound impact on certainly Conservative and Labour politicians probably for a generation and that is, it has made them very, very conservative in dealing with the whole question of local government finance or indeed ever introducing any tax that people noticed. The 10p tax problem was in a sense something that snuck under the Government's understanding otherwise they would not have done that either. What it points to, it makes it difficult to reform local government finance or indeed tax policy at all to change the situation that we are in, partly because politicians of all parties have learned that if you reform local taxation and produce a number of losers it is unpopular, so they have really, really learned that and now they cannot make reforms.

Q264 Kelvin Hopkins: I am fascinated by international comparisons and government. I do believe that Britain is markedly different from other countries in Europe. Averages do not tell you very much. You could have a situation where half the population live in luxury and half are starving but the standard of living is average. We have certainly got that in education where the OECD figures show that we are in the top 10%, we are amongst the best in the world, and the bottom 10%, that is, we are in amongst the worst in the OECD nations. These comparisons will have to be looked at much more carefully, would you not agree?
Professor Hood: I agree fully. I gave you one page because I did not want to tax your time too much, but you are right. However, the OECD's data does now allow you to say that which you would not have been able to do 30 years ago. If you look at the way that the OECD is developing in its indicators of government, it is going in the direction that your remarks implied that you would like to see in that in its latest thinking it is developing a very large number of indicators, it is called "Government at a Glance", but when you see the document you will see that it is about this thick, so it will take you quite some time to glance through it! That is precisely designed to give you indicators that are sometimes described as "tin openers" rather than dials. They can show you how you look on things like tax or the economy, the point that Tony Travers was talking about, and many other indicators as well. The notion is that these kinds of indicators can fruitfully be used as intelligence, as a series of background data against which you can look for patterns in the information, but without coming to instant rankings on the basis of superficially understood data, and I do believe that the OECD is moving in that direction.
Professor Talbot: Comparisons obviously are difficult and different countries count these things in slightly different ways. There are major issues about exactly how you do it. There is one bit of caution I would throw into that. When it comes to discussions about performance in what you could broadly call social policy areas, we seem to be attempting to achieve a level of stringency which we do not apply to things like economic areas, for example, and how people count inflation in different countries. Generally speaking, we accept how people count GDP in different countries. There are some international standards but they are not rigidly adhered to all the time. There are all sorts of differences. Even if you take counting inflation in this country, the basket of things we use to count inflation changes from year to year and yet we all accept that, broadly speaking, the inflation figures tell us something useful. When it comes to talking about performance in education, criminal justice, health and so on, we seem to be attempting to apply rules of stringency which are of a higher standard in some cases than when we talk about inflation or unemployment levels or GDP growth. Having said that, we do need to go through those things fairly carefully. Christopher Pollitt has made this point. In specific sectoral areas, there is quite a lot of progress being made around things like international comparisons on education and health. I am, with him, slightly more sceptical about these broader indicators like the world governance indicators from the World Bank because there is quite a large element of subjectivity in some of those. We are making progress. The important point about performance information, whether it is in the national archives or a country, is it allows you to ask questions about what is going on. Any information is better than none at all.
Professor Hood: There is something I did not include on the one page because I did not have room for it. If you look at the Euro barometer—that is, the European Union's survey data on trust in government statistics—the last time they did that in

2007 the UK came lowest of all the European Union countries with only about 33% expressing trust in government statistics. I might have to correct that but it is around that. That is something that we and, if I may say so, you as the Public Administration Select Committee, need to worry about.

Q265 Kelvin Hopkins: One big difference between Britain and many of the continental countries was expressed to me very simply by a Scandinavian politician who said, "You have a strong government and a weak Parliament. We are the other way round." When you have centralisation of power, my very strong view is that that has increased immensely under the Governments of Thatcher and Blair and that the power, instead of being just in government, is now in Downing Street. Opposition has been stripped out of the parties, of Parliament, of the Civil Service, and power has been focused. That makes us very different from continental countries.

Mr Travers: I am not sure I am aware of international research that I have noticed that would test that.

Professor Talbot: There is international comparative research on the role of parliaments. It is quite clear that our Parliament does have a weaker role than most of the OECD countries. That goes back to some of the fundamental issues of the financial balance between central and local government and, on the issue of financing and the central decision making in the UK, we have one of the very few Parliaments which does not effectively vote on the details of budgets rather than simply nodding it through, which is what we have come to do. It is interesting in that respect that, if there had been a vote on the 10p tax in the last Budget in March, it would have been quite precedent setting. In the last 20 years I think there has only been one other occasion where there has been a vote on an amendment on a budget in Parliament. That is partly Parliament's fault. There is no law that says Parliament cannot—

Q266 Paul Flynn: There were debates on the 10p tax. The view was entirely hostile to it.

Professor Talbot: If there had been a vote, it would have been precedent setting in the sense that Parliament does not vote on these things.

Q267 Kelvin Hopkins: There was a vote. Six Labour MPs voted against and I was one of those six.

Professor Talbot: I have done some research on introducing this performance information about what government departments are doing, particularly around public service agreements. According to the Government, its intention was to change the way in which government held itself accountable to Parliament. All that performance information has been presented to Parliament, as have things like the departmental capability reviews. The reaction of select committees by and large has been fairly weak in terms of taking that information up and using it effectively. We did a study two years ago. We went through three years' worth of committee reports for eight departmental select committees, yourselves and the Committee of Public Accounts. You have done some work on it with your report on performance but most of the departmental select committees have done hardly any work at all on using the information which was being made available to them. Mostly it was ammunition being handed to them on a plate to scrutinise government departments, which they simply were not using.

Q268 Kelvin Hopkins: One factor in British Government is the reluctance of central government leadership to give away power. We have been lobbying for a long time for a Civil Service Act which would set some rules, not quite in tablets of stone but which would establish the Civil Service more formally and which would take a little more power away from Downing Street so that it cannot be so arbitrary in future. In other areas, we have made reports on the ethical regulators. The ethical regulators are appointed by central government. We want that to be arm's length from central government, perhaps run by Parliament rather than by government. All of these things the Government resists very very strongly because they do not want their power taken away; whereas in other countries they accept the need for checks and balances in a way that we do not. Is that a fair comparison?

Mr Travers: In a slightly post modern way. I work for a select committee as an adviser, as Colin I think does. I think, I would wish to say that the scale of the challenge faced by select committees in dealing with government on the scale it is, with the extraordinary individual benefits it has is, committees can get a very long way by going at particular items of expenditure or looking at the way in which the Government presents its annual report and expenditure. Because government is government, it keeps changing the way it does things. As an adviser to another committee looking at government expenditure, the thing that is most difficult to keep in view is the fact that the Government can keep changing the presentation of what it is putting in these reports and of course the objectives and aims that the departments have change. To try to monitor all of that and then to comment on the restructuring of all the tables is not exactly an unequal struggle but I have a great deal of sympathy with parliamentarians, if I may say so, in attempting to do that given that government has such a vastly greater capacity. Of course, as Colin said, Parliament could extend its own capacity in this regard.

Q269 Kelvin Hopkins: Because our parties are so centralised as well as government being so centralised, they can control the internal workings of the parties such that they can resist any challenge. For example, select committees. Governments do not terribly like select committees. They make uncomfortable reports which they do not always enjoy. We have done it on two or three occasions recently. We will probably do some more, I am glad to say. Certainly from 1997, the membership of select committees was very tightly controlled by the Whips. They made sure that certain people did not get on certain committees because they did not want

trouble. It is much more relaxed now because I think they are finding it difficult to get people to get on select committees, but nevertheless that was the way it was. Is that degree of control found on the continent of Europe or do the parliaments decide these things for themselves?

Professor Talbot: Parliaments are much stronger and by and large parliaments and Congress in the United States have much greater capacity in terms of administrative resources and research resources. Take the United States as an outlier in the opposite direction. You have the Congressional Budget Office which does all the budget scrutiny work for the Appropriations Committee in Congress. You have the General Accountability Office which works for all of the Appropriations Committees in Congress, not just for the PAC, the way the NAO does here. We started the very small scale process of enhancing that with things like the Scrutiny Unit in Parliament and the NAO doing a bit more work with other select committees, but I think there is a great deal of scope for expanding that. That is true across most democracies. I visited the Japanese Parliament a couple of years ago. They sent along a small delegation of their committee staff from one of the committees and there were more people than there are in this room who came along, so I am making your Committee staff feel quite jealous by comparison.

Professor Hood: If you are wanting to make overseas comparisons that might give you pointers to ways in which decentralisation of government might make a difference, again the difference between the UK central Government and the German federal Government is that in the German federal government each department is autonomous. It has responsibility for managing itself. In the UK, you have a single department responsible for the management of the Civil Service. That is one way in which this Government is centralised institutionally in ways that do not always apply elsewhere. Secondly, there is the point we already discussed about centralised tax collection. If you want to see an example of a country that has moved away from that, look at Mexico since the early nineties, a very radical move away from very centralised tax control to a much lesser one. The third one is the fact that in this country the various regulators and overseers etc. of the public and private sector are creatures of the executive government. If you look at the Taiwanese system, which itself is indirectly derived from the 1931 Four-Power Chinese Constitution, you find that all those actors are collected together into a different branch of government and that too would give you another kind of model you could think of for decentralisation and breaking these systems up.

Q270 Kelvin Hopkins: Would you think we could have better government in Britain if government built systems which enabled legitimate criticism to be made and acknowledged, rather than trying almost obsessively to reject criticism and reject countervailing forces in politics?

Professor Talbot: Yes. That should apply before decisions are taken, not just afterwards. For example, the point your Committee has made about trying to get government to consult with Parliament and have a proper discussion before they go through these often quite crazy departmental reorganisations that take place purely on the basis of what ministers want. That has happened in all governments in the last 30 years or so. That is a major issue which ought to be considered properly and carefully in advance before you suddenly start chucking around tens of thousands of civil servants and amalgamating, introducing huge amounts of disruption and cost very often for very, very little gain at all and quite often reversing the process five years later.

Q271 Mr Liddell-Grainger: Christopher, you tantalised us in one of your papers about the Greens, Praed Cymru and the Ulster Unionists taking over the Government of the UK in 2010 which is almost tempting. The serious part of it was that you were saying, until the political elite get out of the way, the change is never going to happen. Am I being unfair to you or is that what you are saying in the article? To let the Civil Service change and blossom under—you used the word "tsars" and various other words—that is not going to happen until we are out of the way.

Professor Hood: You are referring to something that I published on a website. It is not a peer reviewed article.

Q272 Mr Liddell-Grainger: No, but it is yours.

Professor Hood: I should stress that it was pointing to what I call Civil Service reform syndrome. What I am pointing to is a recurrent system which again I do not think is peculiar to one party or another, in which we go through changes in the executive machine in government through a process that involves excessive hype from the centre, selective filtering at the extremities and what I call attention deficit syndrome at the top, so that we do not get follow through and we do not get continuity. What I am saying in that paper is, to the extent that that is indeed the experience of the recent past, I consider two possibilities. One, maybe it could be different with what I call one more heave in which we see attempts to do the same thing under the same rules only with wiser people doing it better. I cannot rule out the possibility that that might work, but I do not think I have seen it yet. The alternative that I am discussing at the end of a very brief paper is that it might need some constitutional or quasi-constitutional changes to get away from that. I think the jury is out on that question.

Q273 Mr Liddell-Grainger: Tony, in one of your statements, you say that Brown, David Cameron and Nick Clegg have not yet come up with any radically different approach to public provision. You are arguing the same sort of thing. Would you agree that we need to have a fundamental rethink at a constitutional level?

Mr Travers: Unhelpfully, yes and no. A constitutional rethink would provide a marvellous example to right all ills. However, I am aware that it is a very, very unlikely thing to happen.

Q274 Mr Liddell-Grainger: Should it happen in an ideal world?

Mr Travers: In an ideal world, yes. I do not want to be academic in the wrong sense and wish for things that are never going to happen. Therefore, I do think it is important to look for second best solutions in the medium term because the efforts to generate a constitution would prove back breaking given the flexibilities that politicians, particularly in government or who think they might get into government, want. It is unlikely to happen soon and therefore I do think looking for second best solutions which involve parts of the existing machinery—the House of Commons or the House of Lords—in a more constitutionally aware role has a much greater chance of happening, frankly. Asking Members of either House to enhance their powers is I think a short term, more likely thing to happen than asking for a constitution.

Professor Talbot: I agree with Tony about what is possible and what is not possible. You always have to add the word "today" to those sorts of discussions because some things have changed which many of us thought were not possible 10 or 15 years ago in our constitutional arrangements and we have moved on those, so it is not impossible. One of the crucial issues about the relationship between the Civil Service and the executive, is that we are again an outlier in the sense that we have such a close symbiotic relationship between a professional senior Civil Service, not a politically appointed one, and the government of the day which I have said to this Committee before is serial monogamy. In any other parts of public service, in local government or in the Scottish and Welsh Assemblies, civil servants or public servants do not have the same relationship with the executive as they have here. It is more like the relationship you have in a number of continental countries and the USA for that matter. My criticism of the draft Civil Service Act which you produced as a committee would have been that it largely codified the existing situation rather than challenging it, saying that the only way to really start to free up the situation would be to make the Civil Service more directly accountable to Parliament as well as to the executive and open up that whole nexus around things like rules and all these other things, and getting rid of all of that, some of which has fallen into disuse effectively. We have never formally dealt with it as an issue. That is to some extent constitutional. I have said this before I think to this Committee and certainly to the Treasury Select Committee. There are opportunities for changing the way in which Parliament relates to the big decision making processes, particularly around things like budgets and spending decisions which Parliament could push a lot harder on, particularly around the idea where we now have spending reviews which take place every two or three years, depending on the whim of the Government. At least it is every two or three years. You could quite easily push for more open debate in advance of those decisions being taken. The Scottish Parliament and the Welsh Assembly manage to do it on an annual basis. They put out draft budgets for consultation and have discussions before they eventually get decided upon by the executive in both bodies. There is no reason why Parliament could not be pushing for opening up that process a bit more as well.

Q275 Mr Liddell-Grainger: Can I take up an article you wrote, "*An Unholy Mess"* It is fascinating. You wrote about what you called the *annus horribilis* of Whitehall. It is all about catastrophes on two sides of A4. We have seen public spending go up at an unprecedented level in the last 10 years. We have seen disasters going up almost to extreme levels. A couple of days ago we had the paperless government department collapse as an IT project, costing us millions and we have seen public bodies who are trying to cut money but it has cost us more money. It is broke. You all say that, but yet the disasters continue. Where are we getting it wrong and who should we be firing? Is it ourselves or is it them? Somebody has got this wrong. Where do we go from here? You just look at your article and it is horrific reading it. There is so much of it.

Professor Talbot: There is. I find it amusing that we still manage to project around the world, despite what the surveys say, the general perception—I do a lot of international visits—that we have a Rolls Royce Civil Service in the UK and we are very good at all this stuff, mainly because a lot of these stories do not seem to travel beyond these shores. I agree with Tony. I do not think it is one great leap and we will be free. There is a series of changes that could be made to begin to address some of these problems, changes to civil service recruitment, training and particularly interchange between the senior civil service and the senior public service, so that people in Whitehall begin to understand better how the system actually works outside of Whitehall. Few of them even have experience of running executive agencies, never mind anything else outside the Civil Service. Also, changes to their accountability regime in terms of improving the way in which Parliament holds them to account. There is a whole series of things like that which I think could be done, which would not be particularly revolutionary and would not necessarily take away the power of the executive but would open up all of these things for inspection. Your Committee in various reports has made many of those suggestions as well.

Professor Hood: It is only fair to say that it is a matter of academic debate and not a settled question as to whether the UK really is worse than other advanced democracies as a group in the incidence of these policy fiascos. There are certainly some academics who assert that to be the case but others who deny it. We do not have very good evidence on that and often, when you do travel and talk to people from the Netherlands for example and you start getting their stories about government failures, more and more of this sort of stuff comes out. I just feel it is my duty as an academic to say that we do not

actually have very good data on which we could say that this impressive catalogue that Colin has produced is out of line with what happens in other systems.

Ms Ceeney: I think there is one other dimension to this. We often focus on what went wrong as opposed to how do we learn from what went right. For every failure there will be 10 successes. The reason I say that is not just to celebrate the successes. What good commercial organisations do is make sure their successes are taken and replicated and you learn from that, as opposed to just looking at the failure. It comes back almost to the debate we were having about organisational learning. If we were more successful at saying, "They got that right. How do we make sure everyone does it like that?" and equally, "That person got that right. How do we make sure we put them in charge of bigger things", that might be another way of tackling the issue.

Q276 Mr Liddell-Grainger: Somerset did a PFI agreement with IBM. It has been an unmitigated disaster and has cost half a billion pounds. It is a catastrophe. They should never have done it because they had no experience of doing it, which is basically what you have all said. Their executives did not. Yet, central government cannot get involved. It is not their responsibility. We have to break this cycle. How do we break the cycle? Yes, you are academics, so think outside the box. You are the guys who have to give us the ammunition to make the bullets to put in the gun. How do we stop the disasters and use what is good, because there are examples of good in this.

Ms Ceeney: One of the things I touched on a bit earlier and something we have not talked about up to now is people management and governance. That is something we could focus more on. One observation coming from outside the Civil Service and from the wider public sector as well is we tolerate performance in the Civil Service that frankly I do not think other bits of the wider public sector or certainly the private sector would tolerate. We are getting better but very slowly. Equally, governance of arm's length bodies sometimes is not quite as robust as it could be. If we were stronger in the way we manage people, rewarding the good and putting them in charge of bigger things and equally dealing with people who are not in the right jobs or are not dealing with the right issues, I think it would be better. There are good things going on. The movement over the last three years to professionalise finance in government has been a good example. Three and a bit years ago when I joined the Civil Service, virtually no department had a professional accountant running their finances and they do now. I think there are examples of where we can do that, but I would argue getting the right people in the right place is going to be quite core to fixing some of this.

Professor Hood: I fear you will not like this response but in part I think the solution may lie with you and people like you. I remember a German civil servant who told me, "If we do something really good and it results in a 0.0005% increase in GDP, nobody notices. We create a fiasco and it is remembered for 10 years." Why is that? It is because of the political pressures that are playing on those people. They are subject to asymmetric rewards. I think this applies in local government as well, if I may say so. I do not think it is peculiar to the Civil Service. Part of the problem lies with the political direction of the Civil Service. If select committees such as yourselves were more inclined to look at successes as well as failures—and I recognise that that is what you are aiming to do today—then you might help to correct that. It is known as "negativity bias" in the jargon. That is deeply entrenched in the incentive structure of public servants, not just civil servants. I think it comes from the political environment that they are exposed to.

Q277 Mr Liddell-Grainger: Are we getting the balance wrong? We are relying on professional civil servants. Should we be depending more on the high paid corporate executive coming in, dare I say cutting out the dead wood, or is that too simplistic an approach?

Mr Travers: I still think one cannot get away from the fact that in the end, whatever the advice from civil servants and all the things they do, it is the Minister who has to take responsibility and the accounting officer obviously for the use of money, but the Secretary of State will take responsibility for all the actions of the department. If you take some long running computer disaster—we will have one to discuss in the near future no doubt—whoever goes back to the Minister who was the Secretary of State at the point the decision was made, does it damage their career? I do not think it does, partly because either they have left government or left politics. It is very difficult for it to work through to the individuals who will next be in that position, I would argue. I really do think that that is an element in this problem.

Q278 David Heyes: One of the routes into committees like this becoming more assertive and challenging is through the use of the departmental capability reviews. Last week we had the Cabinet Secretary here and his recent Cabinet Office capability review which had a lot of good stuff in and a lot of achievement, but lots that you could criticise. We got maybe five minutes to pick one point out of it and it was very much a wasted opportunity. If I can link this in to what Tony was saying and again refer back to local government, one of the things that is universally accepted is that the best performing local authorities are those where there is clear, strong political leadership, competent officer cohort and a good working relationship between the two. That characterises almost every good local authority. That features in the comprehensive performance assessment of local authorities. We are not shy of having criticism of the quality of the political leadership as part of the local government CPA, but we are very shy about putting it into the departmental capability review. The short termism, the fact that politicians are not held to account, does not feature in the capability reviews and therefore does not give us an opportunity to challenge whereas

there are lots of other things to challenge in there. That is a statement not a question but I would welcome your comments on it.

Professor Talbot: One of the things that I have been concerned about is that we now produce lots of information about how well government departments are doing or not, but nobody is bringing that together and looking at the picture in the round. If you take departmental capability reviews, Sir Gus O'Donnell trumpeted them as being equivalent to CPA for central government. They were nothing like CPA. The Comprehensive Performance Assessment for local government included crucially the actual results that were achieved as well as the capabilities of local authorities to deliver them. Capability reviews simply looked at capability with no relationship whatsoever to the Public Service Agreements and the actual performance that was being produced. There are a number of other measures of actual performance of government departments like the efficiency savings targets and what they have achieved against them and so on. There is no attempt at the moment by anybody, whether it is the National Audit Office or Parliament or the Executive, to pull that sort of information together and say, "Let us have a serious discussion for each department about what we are spending money on, what is it achieving and what are the capabilities of the department in transforming money into achievements?" A lot of the bits of the jigsaw are there but we do not do this in the way that for example they do in the USA, Canada or one or two of the European countries. Either the executive itself or the audit bodies or Parliament produces that sort of comprehensive assessment of what is going on in the centre. Although we have all the information or a lot of what we need, we simply do not use it at the moment.

Mr Travers: There is no doubt that the Comprehensive Performance Assessment process worked as you described. It was simple to understand. The outcome was easily understood and it did not include a target. It included an implied direction of change and that also is important. Better is better than worse, rather than a target. It worked rather well. The capability reviews lack all of these elements. There is no question that local elected members, leaderships and their senior officers do not wish to be downgraded through CPA or not get the best possible measure through the CPA process. I doubt anything like those pressures come out of the much more woolly capability review.

Professor Hood: Negativity bias raises its head in these local government performance assessments as well, in the sense that you have some quite interesting research coming out of the academic community which shows that the political incumbents in local authorities that perform very poorly in CPA tend to be heavily punished by the voters. Those that do very well are not correspondingly rewarded. That is negativity bias again and the incentives are to be mediocre.

Q279 Mr Walker: Some of you have talked about the transfer of skills between the private and the public sector and the lessons that can be learned from the public sector through the private sector which suggests that, to some including myself, the public sector is bad and the private sector is good. Let us look at the private sector. Let us look at the banking sector. There has just been total disaster. We have had a senior banker come and give evidence to us and I think he was chair of the Lords Appointment Commission. He has presided over the collapse of the fourth largest clearing bank in the United Kingdom, HBOS, all full of gravitas. What lessons could he possibly teach the public sector? It is not hard to find a litany of disasters in the private sector. Should we just not accept that large organisations are prone to human failure? We may not like it. We may try and avoid it, but when you have 28 million people in employment you have a huge number of opportunities for systemic failure to creep into the system.

Ms Ceeney: If I speak as a practitioner, I started my career in the NHS. I went into McKinsey and worked with a lot of private sector companies and then came to the Civil Service. When I worked first of all in the NHS, what we constantly heard as NHS managers was, "The private sector is far better than you." My experience is the best public sector managers are as good as the best managers anywhere. To manage well in the public sector, we have multiple stakeholders. It is not just about one target; it is about many targets. You cannot say, "I will serve this group of customers and not that group." You have to serve everyone. To be good in the public sector, you have to be really good. I have met some brilliant managers in the public sector. I have met some really bad ones. I have met some bad ones in the private sector. I would agree with your analysis. I would not necessarily think the skill set is always the same. I have watched private sector people coming into public sector organisations and fail, often because they have not understood the political dimension, the ministerial context or how to manage unions or work with multiple stakeholders. Similarly, I have seen the reverse. I think there are some differences but I would largely agree with your analysis.

Professor Talbot: We have had waves of attempts to bring private sector managers into the public sector. You can go back to the early 1980s in the NHS and back even before then. The results have always been very mixed for very good reasons. Yes, private sector managers can bring some things into the public sector, some skill sets which do not exist very well in the public sector, but there are quite strong limits to that. The public sector is different. That is why it is the public sector. My point I was trying to make—I am sorry if it was misunderstood—was that in Whitehall we have a particular problem. Only 10% of public servants in the UK work for Whitehall. The interconnections and transfer of senior managers between the 90% of the public service which is outside Whitehall and the 10% which is inside is extremely low in the UK compared to just about any other jurisdiction. I think that is reflected in some of the bad policy making and the bad delivery that we get from Whitehall, because people simply do not understand. We still have in

professional skills for government a system of apartheid with, on the one hand, people who are good at policy and, on the other, people who are supposedly good at operations and management. As an agency chief executive said to the report that was done on Next Step agencies about five years ago, one of the permanent secretaries commenting to the people doing the review—I am not sure if it made it into the report—said, "Those that can do policy and those that cannot run agencies." That is the general attitude still amongst far too many senior civil servants. That is just within the Civil Service, never mind thinking about police chiefs, hospital chief executives and local authority chief executives who have immense experience in delivering services, who could contribute an awful lot more in Whitehall if they were given the opportunity.

Mr Travers: To comment on the particular example of the banker who was obviously welcomed to the Committee, it seems to me that what the bankers have accidentally shown us—and indeed themselves—is the clear need for those at the top of an institution to understand what is going on in it and what the people within it are doing. There are plenty of good, private businesses that do that, ones that are solvent and trading and will continue to be solvent and trading. That is because the people at the top understood what the people within their organisations are doing. I think that was the point Natalie was alluding to before. That being the case, in a sense that is a transferable lesson across the public and private sector, but I agree with what my colleagues have said. It is easy to imagine that people who are really good at running private businesses and know how to make them function will automatically bring lessons into government. Whilst some of them undoubtedly will, they will need a new set of complicated understandings which are about public accountability, transparency and the way things are done in the public sector. They are very different. It is not to say that they cannot be used, but they have to be carefully moved. I have no doubt that it could have advantages for people moving the other way as well, but I do think we have learned from the bankers that it is as well to understand what your organisation and everybody in it is broadly doing.

Professor Hood: I do not think the private sector necessarily has all the answers. I do not think I said that at any point. There can sometimes inevitably be a point in the dynamic at which governments do bring in private sector figures because they think they have the necessary clout. There is nothing new about that. Lloyd George did it when he brought in Sir Eric Geddes to preside over a committee of public expenditure because the Treasury was not coming up with the level of cuts that he needed at that time. That I confidently predict will continue. I also think that sometimes the Civil Service from its own permanent staff simply does not have the kind of expertise that it needs to have to do a job effectively. When I looked at Oftel, the telecoms regulator 10 years ago, it was quite clear that if that had been run only by permanent civil servants, it simply would not have had the legal expertise or the industry expertise or the technical expertise to keep pace with a fast moving telecoms world. One might debate on how well it did that job. All I can say is I do not think you could have done it at all just with career civil servants. When the job changes as in World War One and World War Two, government is absolutely dependent on bringing in people from the private sector to run those systems, some of whom were by the way very successful.

Kelvin Hopkins: To turn to the problem of centralisation of power, because we have a first past the post system we tend to have governments which are made up of parties having total power. Inside parties, it is important that there are checks and balances as well as in the political system in general. Robin Cook pointed out shortly before he died that a major change inside the Labour Party was the way the leader was elected by the membership effectively rather than by parliamentarians which meant that the leader no longer had to pay particular attention to parliamentarians. He could appoint who he liked in his own image. If you contrast what used to be in the past a Callaghan or Wilson government, ranging from Roy Jenkins to Tony Benn from Denis Healey to Barbara Castle, with what we have now which is a slavish, loyal, docile Cabinet government under complete control of the leader, is that not part of what has gone wrong with British government?

Q280 Paul Flynn: Leaving aside the problems of the Labour Party, would you all make one contribution on what you think is the most important thing we need to put in this report? A number of you proposed that we need stronger, independent checks on government to get away from the politicians' need for immediate political gratification with immediate news. We have just seen a train crash on this over the last few days on the Government having set up the wonderfully independent national statistics body and sabotaged its work in the way that happened. You made these criticisms, quite rightly, of select committees. Who looks at the select committees and the work we do and measures our efficiency? Do you think there is a need to establish a national performance office that would look at these things that are not checked or measured at the moment—nobody makes any criticism of them—in order to improve our efficiency and in particular not just in government but amongst Parliament itself?

Mr Travers: There is undoubtedly room for new machinery. Colin mentioned the idea of a budget office which a number of outside organisations could rely upon, the idea of something independent of government that an array of institutions could rely on and not just at the national level. I have certainly proposed this for the London Government model as a way of making it possible to get a grip on what is going on in the budgets that are set by mayors. Creating new machinery, particularly if it is to oversee everything else that is overseeing everything else, would have to be done with great care, personally. I do not think there is a shortage of machinery. I think it is the way it all operates and particularly—as the point has been made many times today—the relationship between the executive

and the legislature which is not formally separated in the way it might be in another system; and also the point that Mr Hopkins made, the question of the relationship between political parties and the legislature and the executive, which is not something in the end I think that could ever be legislated for in the way that would stop it having an influence on Parliament and government. Nor should it. Party politics is an integral element in making the system operate. My hunch is that making more of the existing institutions work better would be a better ground than going for a huge number of new ones, but I would not personally be opposed to some kind of office of budgets.

Professor Talbot: There is a political reform issue. One of the things that has frustrated me over the last 10 years or so has been the lack of joined up thinking in terms of the proposed constitutional reforms. We have had discussion about Lords reform going on over there and then a discussion about electoral reform for the Commons going on over there and so on. It seems to me that if you are going to rebalance those elements you need to look at them all together and think more carefully about how you balance those things. Specifically on this issue about some sort of performance office, I would argue quite strongly that the obvious thing to do is to change the remit of the National Audit Office. The National Audit Office at the moment is prevented from criticising policy because of the way the legislation was framed which set it up, which seems to me to be rather peculiar given that it is an office which reports to Parliament and Parliament is perfectly entitled to criticise government policy. That restriction ought to be removed from the NAO and that would then give it the opportunity to do some of the sorts of things that we have been talking about in terms of providing better scrutiny of budgets and of performance. It would give it a much bigger role. It would be a role more similar to that of the General Accounting Office in the United States. That would be the easiest way of doing it without setting up a completely new institution.

Professor Hood: I think I may have been misunderstood when I talked about possible constitutional changes. What I meant by that were changes that went beyond the current configuration in terms of the way the Civil Service is managed by the prerogative power as it currently exists. I did not necessarily mean that we should have a Philadelphia style constitution or convention and write it all down *ab initio*. I simply think that you could move along each of the dimensions I described—i.e. towards more fiscal autonomy for lower levels of government—towards less centralised control of the Civil Service and towards moving more regulatory, overseer type agencies out of the executive government sphere and under the control of Parliament. That does not have to happen all at once. You can imagine it happening by steps. More generally, I think we need to have systems that build more intelligence into our policy making in various ways. Most of what we have been talking about today are ways in which we could try to achieve that.

Ms Ceeney: If I could say one thing, it would be around that link between policy and delivery. If we want policy that is going to work, we have to inform it by understanding the customer and the citizen and the people who are responsible for delivering on the ground. If we could join that up, I think the Civil Service would become a lot more effective.

Paul Flynn: Are there any final points you would like to make on how we are going to make this report worthwhile?

Q281 Mr Walker: I wish we had discussed at greater length—we did not have the time but I would love to see you all again—the role of Parliament, because we have a Parliament I believe that is just very short on self-confidence. I would like the chance to chat about that.

Mr Travers: I have felt this afternoon that there were a number of occasions when—not that I think it should all be done privately, but it is a public event—lecturing Members of Parliament on how they should strengthen themselves in their battle with the executive feels a bit difficult. I certainly felt at one level great sympathy with you in the desire to do that, but I was trying not to say that only you can decide to do it. That was the thing I was resisting saying. We can of course talk about how best it can be achieved, what new mechanisms could be invented or differently used, but I thought I would in a sense come out and report that feeling I had on two or three occasions.

Professor Talbot: Linking together the bigger, constitutional issues and these issues about scrutiny and so on, I think some thought is going to have to be given to what is the role of the second chamber in scrutinising the executive if we end up with a directly elected second chamber. That means this House thinking carefully about what role it wants to have. Is it the case that for example you have a joint Public Administration Committee between both Houses in the future or is it, as in some other jurisdictions, that some of those scrutiny functions actually transfer to the second chamber because it is less dependent on party politics? It is less controlled by Whips and there is more ability to use that scrutiny in a second chamber. Those issues are going to come up in the next 10 or 15 years.

Q282 Mr Walker: This country cannot afford two poodles to the executive.

Professor Talbot: No. I quite agree.

Paul Flynn: I think Lloyd George had something to say about the way we went about the reform of the House of Lords. He said it was foolish to try to cross a chasm in two leaps, which is just about what we did in the House of Lords in a number of reforms we tried. We are very grateful to you for the way you have prepared the documents for us and the way you have been generous with your time and your expertise. I am sure this is something we hope to do justice to when we prepare our final report. Thank you very much.

Thursday 15 January 2009

Members present

Dr Tony Wright, in the Chair

Paul Flynn
Kelvin Hopkins
Julie Morgan
Paul Rowen
Mr Charles Walker

Witnesses: **Sir Michael Bichard** KCB, **Lord Birt**, a Member of the House of Lords, and **Lord Jones of Birmingham**, a Member of the House of Lords, gave evidence.

Q283 Chairman: Let me call the Committee to order and welcome our witnesses this morning, Sir Michael Bichard, Lord Birt and Lord (Digby) Jones. It is a great pleasure to have you along. Normally in these inquiries we focus on a particular area and interrogate it to bits. Rather ambitiously, I think, in this case we thought we would try to stand back and see whether we could distil some of the underlying principles of government in this country to see what seems to work rather well and what does not work very well at all and whether we could say something about that, based upon all the work that we have done over the years and also all the work that all of you have been involved in. We have therefore tried to construct witnesses who we think have something to tell us about this and all three of you qualify and we have been interested in what you have been writing and saying. I do not know if any of you want to say anything by way of introduction but, if not, I would simply ask you to try and have an initial go perhaps, each of you, at this question of what in general do we get right in terms of the government of this country, and what we get wrong. Who wants to start with that?

Lord Jones of Birmingham: I will kick off. Good morning. I found it a very interesting experience, moving from the private sector into government as a minister. I thoroughly enjoyed it but I really did form some conclusions about exactly the issue to which you refer. One was that I think that most people who enter, especially at the democratically elected end, all enter with very well-meaning, well-intentioned, firm beliefs about how they want to change society for good as they see it, whatever that may be, and then the system gets them. The true runners of the country, the Civil Service, get them and they become subject to the levers and the influences of advancement because they are building a career. That, of course, means the promise of preferment, the promise of advance and threat of sideways, backwards or out. If they work for one bank and they do not get on and their face does not fit and they have said something they should not, they can go and work for another bank; if they go and work for one car company and it does not work they can go and work for another car company. With politics, of course, if they go in to one there is nowhere else to go and they are trapped and so they start to make compromises and within a very short period of time they are the fodder of either, at one end, a party-political driver, or, at the other, the way that the Civil Service are implementing and driving the implementation of policy. If they then get up the path somewhat and become a junior minister, I feel that that is one of the most dehumanising and depersonalising experiences a human being can have. The whole system is designed to take the personality, the drive and the initiative out of a junior minister. The contrast then with the big beasts, the Cabinet, is huge. I think the Cabinet ministers are the drivers and the system does listen to and has a lot more difficulty controlling them, but I do think something seriously should be done. By the way, something I seriously applaud is the bringing in of specialists into government through the mechanism of the House of Lords; I think it is an excellent idea. If we are going to have more of that I do think the system has to be adapted to accommodate their specialism, their expertise and in some cases their independence. Lastly, I would say that the problem of the contrast with somebody who is coming in with that expertise, especially if they are coming from the private sector, is that they come up against an organisation in the Civil Service which is honest, stuffed full of decent people who work hard, but, frankly, the job could be done with half as many, it could be more productive, more efficient, it could deliver a lot more value for money for the taxpayer, and the levers of change, the ability to effect change, are so rare because of the culture. I was amazed how many people, frankly, deserved the sack and yet that was the one threat that they had never ever worked under because it does not exist, as long as they have not been criminal or whatever. I have always believed that if somebody is not doing it then you train them, you work hard with them. You do not tell them; you ask them, you work with them, you bring them on, you help them. If at the end of the day they carry on not doing it you have to have some pretty serious words about it, and if at the end of the day it is just not fitting then, "I am sorry, but this is not for you". When that system was being applied I was always told, "They will just be moved sideways and they will go off to another department", and that is something which, frankly, the taxpayer does not deserve. You cannot effect change on that basis.

Q284 Chairman: Perhaps I could just ask you one thing before I move on. I have read some of the stuff you have been writing about your experience, which is fascinating stuff too, some of which you have been describing now—pretty damning stuff on the Civil

Service, "full of dead wood", "no attention to real performance management" and so on, but then you went on to say, "Ah, but it's the best Civil Service in the world".

Lord Jones of Birmingham: Definitely. I think its two greatest assets are that it is honest, and in my job particularly, both at CBI and at UKTI, I came across civil services of most of the world, frankly, and it is the most honest on earth and I think the British public are very lucky to have that. Secondly, I think especially at the top part it is stuffed full of some of the best in the world, so in comparative terms with other civil services I think we are lucky, but this is not a relative game; this is an absolute game. If, as we come out of this current economic malaise, taxpayers are going to be asked to fund a lot of this borrowing, which is merely deferred taxation, they are going to ask for a lot more from the public realm than they have been getting for no more money. The need for change is enormous. That does not mean that you throw the baby out with the bathwater. It does not mean that we are not very lucky to have them. It does mean that they cannot rest on those laurels and therefore avoid change. The private sector is going through the most enormous change every day but you never get it in the Civil Service.

Q285 Chairman: I think the value is in having you come in from the outside and give a perspective on what you found. I will ask Lord Birt to do the same. We tried this with you, do you remember, before when you were still in government?

Lord Birt: Just out.

Q286 Chairman: You would not be entirely forthcoming with us, but we think now you are a free man you can tell us what you really think about us.

Lord Birt: Freer. I will start, Chairman, by observing that the Civil Service must be very effective indeed if it can stifle the drive and energy of Digby. It is not easy—and we discussed some of these things, I think, last time—to disentangle the role of politicians and politics and the role of the Civil Service and the wider public sector, though that is our job today and I think one can have a shot at it. I tend, possibly because of my greater age, to look at these things from a long term perspective. I would say, and I expect this will be common ground and Digby has already alluded to it, that the silky private office mandarin handling skills of the British Civil Service have probably always been world-class and probably best in class. What does that mean? It means that if you are in a crisis of any kind more than one politician has said to me that there is no group of people they would rather have around them than the British Civil Service. They are excellent at understanding where all the players are coming from—stakeholders, the party in power, the Opposition, the organisations, the groups involved and so on, and helping ministers to understand where the mines are and how to pick their way through them. That is not to be underestimated. We have seen over the last 10 years increasing skill at handling major national crises of the foot and mouth variety, and again that is valuable and not to be underestimated. We have seen over 15 years the growing capability of the British Civil Service. I think it started under the Conservative Government with the introduction of Next Step agencies. I think—and we discussed some of these things last time—we have seen real advances in growing the capability of the British Civil Service for a very different and much more testing agenda of public sector reform than, frankly, we faced in the past, and the theme I would strike there is that much has been done and there has been very great improvement, and I have seen it for myself (and I think again this will be common ground) but an awful lot still remains to be done. We are nowhere near a position where you could describe the British Civil Service as highly effective at all the tasks that it faces, though it is work in progress and I am absolutely certain that we have seen the leadership, not only the top leadership, Andrew Turnbull and Gus O'Donnell, but also the people who work with them, drive that agenda pretty effectively over the last five to 10 years. However, against the span of time I think you would have to ask how well has Britain performed as a country, and some of the common ground of what our agenda has been over the last five or 10 years is an under-performing public sector against international standards. We were under-performers in education, we were massive under-performers in health. We have had and still do have the worst transport infrastructure in the developed world. We were ill-prepared for our energy challenges. Our national productivity has not been high. These big challenges that any political party would face I think have shown that the system has not been good at asking the big questions and not very good at analysing them. The business of delivering better social outcomes involves running very large organisations and very large systems, of which the organisations are a part, in a way which would challenge the best managers in any environment anywhere in the world. We have seen big improvements in functional support, in technology, in HR, although there is still much work to be done, but we are a long way from having the line managers in government as skilled as their equivalents in the private sector. I have not layered on politics, which is a vastly complicating factor, but: much achieved, much still to be done.

Q287 Chairman: I was going to ask you, coming out of what you have just said, whether you thought the areas that needed the most attention were the political ones or whether they were the administrative ones or whether they were the connective rods between the two.

Lord Birt: Again, we touched on this last time. I do not expect British politics to change fundamentally in my lifetime. It is always going to be an uncomfortable mix. Obviously, not all politicians are the same. Some are truly interested in the big picture, better outcomes, delivering over the long term, long after they have left office, not many but some are. At the other end of the spectrum you find politicians of all parties who want wheezes and initiatives and stunts. They want to be seen to be doing something

today to manage the public perception agenda, and a high proportion of that is the enemy of long term improvement in social outcomes. The whole system becomes highly short-termist, ends up doing things which are ill-considered, not bottomed-out, not robust, and it all fritters into the sand. A huge amount of energy in the system is taken up with non-value-adding activity for political reasons and I would not expect that to change if there was a change of government. However, that does not excuse the public sector from needing to have the ability to deliver better outcomes whatever the government of the day. I echo what Digby said, that nobody should doubt that there is talent in the British Civil Service at every level. People could work anywhere in any sector in any part of the world—their impartiality, their commitment, their dedication is undoubted. He is also right that one of the many problems of the system is weak performers. Again, I think things have been done about this and the British Civil Service is not alone in struggling to deal with weak performers, but alongside the high performers there are poor performers and managing those poor performers out is not sufficiently well done at the moment.

Q288 Chairman: Thank you for that. Can I turn to Sir Michael and say you are both the insider and the outsider?
Sir Michael Bichard: I am just confused.

Q289 Chairman: We would like you to confuse us at a higher level than we are confused at already. We have obviously followed over the years things that you have been saying and writing. Indeed, you have often come and spoken to us. You have been a radical voice for reform inside the system and you have developed a critique of what is wrong, and I would like you to just tell us what you think that is.
Sir Michael Bichard: The first thing to remember this morning is that good government gives this country a competitive advantage. Sometimes we talk about issues of government and politics and civil service administration as if they are intellectual exercises. Good government gives you a competitive advantage; that is why it is so important. What are we good at? We are good at some important things. Some of them have been mentioned—the issues of honesty, integrity, neutrality are absolutely brilliant. I think the Civil Service is pretty good at analysis, not necessarily as good as we need it to be at anticipation and forecasting but good at analysis. We are good, I think, at dealing with crises but I am not sure I would say all crises. We are not as good at dealing with operational crises, or what I would call operational crises, as we are at, say, structural change. Throw a department or several departments up in the air overnight and the Civil Service (and actually ministers) will somehow find a way of making that work. I was not impressed as a marginal player at the way in which, for example, foot and mouth was handled because I think that was an operational crisis and there were not enough people who had had operational management experience at the centre of dealing with that. Finally, we are quite good at dealing with transitions, both parties and the Civil Service. Those are really important strengths. I am not going to say what are we not good at. I want to focus on just a few areas that I think we need to be better at. The first one I have talked to you before about, the issues of delivery. I do not want to go over that ground again today. I think we could still be better at delivery, we could still be better at focusing on the outcomes rather than becoming obsessed with the process. I think we still probably do not have enough people with real operational management skills. It is 15, 16 years ago that I suggested that it would be good if we did not even consider people for promotion to the senior Civil Service unless they had had significant and preferably successful operational management experience. I think if we had done that at the time we would have a very different sort of civil service as we sit here today, so delivery I think is still an issue. I agree with John. I think in these areas there have been some improvements but I think there is still some way to go. There are two or three things I want to focus on this morning that we have probably not talked about quite as much. The first is that we are still not good enough at joining up across government. It does not matter whether we are talking about the Civil Service or whether we are talking about the political structure. We have talked about it for a decade and one of our dangers, I think, is that we almost persuade ourselves because we have talked about it for so long that it must have happened, and, of course, there are some interesting examples of joining up across government, but nowhere near enough. If you look at the problems that are facing us in the next 10 years—climate change, sustainability, obesity, all of those things will not be solved by one department working in isolation. Somehow we have to be better at how we join up our thinking and our delivery. That is the first thing. The second thing I think we are not good enough at, and again it is a word which is in danger of being overused and being dismissed now as a fad, is innovation. We still have a very risk-averse system. People talk about innovation for ever but what we do not talk enough about is what needs to change in order for our system to be more innovative. I do not think there has ever been a time when that was more important than it is today. I do not think we are going to get out of this deep recession by defending ourselves against it. We are going to have to find new ways of addressing the issues and new ways of designing our public services. Innovation is going to be at a premium and I do not think that we have yet found the right levers. I will just give you one example of what I mean by "levers". If the next round of capability reviews, which I think are a really good initiative and which people in the Civil Service now care about, does not assess the capacity of departments to innovate and to join up their thinking and delivery then people in the Civil Service will assume that the rhetoric does not matter, that we are not serious about these issues. I think joining up and innovation are key issues. Third and finally, I do not think that we are yet good enough at a package

of issues which are around what needs to be done in-house by government, what needs to be outsourced, how do we commission services which are not being delivered in-house—I think there is a huge deficit of commissioning skills within government—and how we regulate services that are being delivered for the public good. It is not just in the financial services market at the moment that we should be asking questions about the regulatory system. I think we should be asking questions in government about how this is operating. It very often works against innovation. I think it very often works against joining up, because, frankly, if you are working in a police service in an area you may like to work with your chief executive of the local authority but if it comes to the crunch of whether you do something which he and your partners there want you to do or whether you do something which HM Inspectorate expects you to do it is a pretty easy decision for you, so I think we have to look at our regulation systems, we have to look at the data. You have looked at that in this Committee: how sure can we be about the data that we are using to assess performance? I think that is a very good question to be asking at the moment, not least after the Baby P issue in Haringey, so join up, innovate and be better at regulating and commissioning.

Lord Jones of Birmingham: Can I just add one point on that, and I am probably the most recent example of experiencing this? I can remember in the very early days when I became a minister, I had this idea of how we could deliver one particular thing with a lot fewer people and with a better outcome. I put it up through the system and nothing happened, nothing happened at all. About a month later I went and saw a very senior civil servant and said, "I just don't understand. Why is nothing happening?". "Oh, yes, we tend to ignore things like that because you will get very busy and then you'll forget it and then we can carry on". I said, "I don't forget it and I'm serious about this and I want it dealt with". Someone like me, who was a different sort of minister, could carry on being a bit of a thorn in the side, but the greater majority of those junior ministers would have given up; they would have just carried on.

Q290 Mr Prentice: What was it that you wanted to do?

Lord Jones of Birmingham: I am not going to go into all the detail here this morning.

Q291 Mr Prentice: Why not?

Lord Jones of Birmingham: Because I think it would monopolise it and certainly it would be very unfair on one or two civil servants who did not have the right to reply; I do not think that is fair. The point is that I carried on pushing that and forced it through. Most ministers would not have done. They have got a career to worry about.

Q292 Chairman: Yes, but this civil servant—

Lord Jones of Birmingham: He was serious, by the way.

Q293 Chairman: Yes, but he probably would have thought, because he sees ministers come and go all the time—

Lord Jones of Birmingham: I remembered what I had put and I wrote it down here to remind me. It is this risk-averse point to which both of them have referred. One of them said to me, "But you don't understand this. You'll be gone in 18 months and I've got a career to build and I am not going to put my name to something which might fail because my career will be in ruins whereas you will just move on to other things", and he looked me straight in the face and told me that.

Q294 Chairman: He was right, was he not?

Lord Jones of Birmingham: Of course he was right, and it is not his fault. Do not blame him; he is a human being. If I were him I would do the same. It is the system's fault.

Q295 Chairman: Can I just raise one question and then I am going to ask colleagues to come in. It relates very much, Digby, to your own experience but also to what Michael has been saying about getting clearer the relationship between the politicians and the administrators. Let us compare the situation confronting the United States at the moment with the new President coming in who can appoint anybody he wants to his political team, all the talents in the country, and can bring people into the administration that he wants from whatever source, and contrast it with a Government here which comes in that has only got the resources of its own party people to draw upon and has got a civil service which is simply given to it. We get into a great tizzy when we try and do something about this, as we do when we try and bring people into government through different routes, as we do through special advisers and as we do when we try to bring new people into the Civil Service. Do we have to go further down this route to make it easier to get movement in and out both on the political side and the administrative side?

Lord Jones of Birmingham: I could give you an hour on that, so maybe these two can start.

Sir Michael Bichard: I think there is a lot being made about how there are lots more outsiders coming into the Civil Service and, of course, there are two or three permanent secretaries now, a couple who came from local government and one or two came from elsewhere. I still think we have some considerable way to go. I would not, however, be too pessimistic about the ability to do it. I know I am getting old as well but if you think back to 1997 when David Blunkett, the Secretary of State, wanted someone in the department who knew a bit more about schools and how they operated in literacy and numeracy than he felt (and actually I agreed) we had in the department, Michael Barber came in and I think did a very good job running that unit and then went on to other things within government. That was—and I suppose I would say this—fairly well-managed transition and you had the right person in the right place. I think you have to be very clear what role you want these people to perform and give them support

when they do come in. I think it can be done. In terms of getting the right people within the Civil Service in the most important jobs at the right time, that is important and I think we do not often talk enough about it, somehow as if it is a bit tacky, but I think it is important and there are ways in which that can be done. In any organisation you are trying to get the right fit at the right time of the skills and competence of the individuals and I think that can be done in the Civil Service. Too often the problem is that it is presented as politicians interfering for political reasons in the way in which the Civil Service runs. I do not think it is necessary to do it in that way and I think permanent secretaries and the Cabinet Secretary have an important role when there is a transition in handling that.

Lord Birt: I would see nothing wrong in that. We know that the advent of political advisers has been very controversial. I do not share the general concern about them. I think boosting ministers' cabinets with a wider range of skills to allow them to be more effective and less dependent on civil service capacity would be a good thing but I personally am not attracted to the notion that the solution to the problem of having a more effective public sector is to pour in resources from the top. I would be sceptical that that is a solution and that it might make things better. Actually I much prefer myself to try to make the existing system operate more effectively. I work a fair amount in France at the moment and one of the things that is striking when you work in French institutions is the high degree of movement between the private sector and the public sector such that the French have developed in my judgement an extremely capable, well-educated group of people who are equally at ease (which we have not got) in the private and the public sectors. We have seen a big movement from outside, and Michael is an example of that, into particularly areas like the technology function of government. We have seen a lot of people with very great private sector experience coming into government and it has changed the mood music, but we have only just dipped our toes in the water here and I personally would like to see the Civil Service itself being more open to drawing in outside skills. The other thing I would like to say here, which I think is an absolutely essential point, and Michael has touched on it, is that a lot of Whitehall departments are a dreadful tangle of strategic "capability" on the one hand, and I put that, frankly, in inverted commas, and delivery responsibility on the other. I think for all sorts of reasons, not to do with politics but to do with how you can get organisations to work effectively, the more rapidly we move to lean, mean Whitehall departments, very much smaller than they are now, whose role is to understand the big questions, the big systems, to have high analytical capability, the better. Michael and I part company on how high the analytical capability is in Whitehall, but I endorse some of the things that Michael has said—the ability to get systems to work, to supervise and govern institutions, to understand how to use the private sector in the most intelligent way. Obviously, we have made some progress on these things but I personally am much more attracted to a model of a lean, mean centre and the maximum of devolution of delivery, and indeed competition for delivery, which is not the hallmark of most parts of the public sector now. I believe from a lifetime of experience in different institutions in the public/private sector not that competition does not bring problems but that it brings huge benefits in innovation (Michael's word) and efficiency and the hallmark of much of the public sector is that it faces no competition at all. The private sector, and I have had a fair amount of experience of that over the last 10 years, is a mix too between high achieving, extremely impressive companies at one end of the spectrum and low achieving companies at the other, but there are remedies in the private sector when you have low achieving organisations. Those remedies are very weak indeed in the public sector. They do exist when there is chronic failure and in the end the politicians do something about it, but the mechanisms are nowhere near so efficient as they are in the private sector for remedying failure. Greater competition in the public sector for delivery of services of all kinds would undoubtedly bring huge improvements and a much smaller, more fit-for-purpose Whitehall.

Sir Michael Bichard: If I say nothing else can I just add to that? In terms of your inquiry we could argue that we are at a turning point, a crossroads, in what good government is. In the last 20 years in this country good government has been judged very much in service terms: how can we deliver more efficient services, more responsive services? You can argue that the Labour Government in 1997 was elected on the basis that they were going to improve the quality of the services. If you look at the kinds of problems that government will be facing in the next 10 to 15 years I do not think that that is going to be sufficient. If you look at obesity, which I mentioned earlier, you do not solve obesity by delivering an obesity service. You have somehow got to find ways in which your services connect up to tackle obesity. At the end of the day you do not even then solve it by delivering a service. You solve it by influencing people, citizens, to behave in a different way. The whole issue, I think, of influencing behaviour is given nowhere near enough emphasis in government. I very much agree with John. I think maybe the time is coming when we need to move away from this preoccupation with services to a more strategic sort of government which is more about influencing behaviour, which is much better at joining up the issues, which is agile, quick on its feet and innovative, and maybe—and we have not talked a lot about this—a bit better at forecasting and anticipating some of the issues that are coming down the track rather than being good at reacting to them when they are right in front of you. If you put all of that together, and your point also, I suspect, outsourcing more, I know this is controversial but more of the micro-management—and I talk as someone who ran the Benefits Agency, do not forget—you will have more energy and space and time to focus on the things that really matter. If you put all that together it is a very different kind of

government than the kind of government, whatever the colour of the controlling party, we have had for the last 20 years.

Q296 Chairman: But was not the Next Steps agency model designed to do a lot of this?
Sir Michael Bichard: No. The Next Steps agency model was very much focused on how can we improve the delivery of services by giving agencies a greater sense of pride and identity. They will be more effective. The chief executive will be more accountable. I was chief executive, I think, of the largest of them. I had 168 targets to make me more accountable. Make the chief executive more accountable and you will improve the quality of service. What they did not do, and it was a struggle at the time and I think most of them did not achieve it, was the ability to really influence policy in the way that I think they should have done, so there was still this distinction between operations and delivery and policy and there was not a knitting together of those, but they were not about the kinds of issues I have just been talking about. They were not about making government better joined up. They were very much about silo-based delivery.

Q297 Chairman: Digby, do you want to come in?
Lord Jones of Birmingham: Both John and Michael referred in their opening remarks to the fact that an efficient and productive civil service and everybody else in the public realm is a hallmark of a successful advanced economy, and in the 21st century with a changed dynamic after the last couple of years I think it is going to be even more relevant for our children's generation. I think it calls for a fundamental shift in the way we go about it. You mentioned America and how Obama can just pick and choose and bring experts in. They are not the only country. France does it. Germany does it to a limited extent. Is it not strange but when this Prime Minister decided that he would try and do that, he would try and move slightly towards that, and I was one but there were many others—Mervyn Davies was appointed yesterday and I think that is a fabulous appointment—loads and loads of people start arguing about judging it on the criterion of the old way and yet someone has got to get on the page of tomorrow. If you look at delivery, one of the problems as to why junior ministers get swallowed up and basically just become depersonalised, dehumanised people is because the departments they are in charge of or are working with know a lot more about the subject than they do, and what they are after is a political career of advancement in politics which means that in a couple of years they will go and do something entirely different for which they are singularly also not qualified, and they will meet another load of civil servants who know a lot more about the subject than they do, and so it will carry on, whereas if you do bring in these specialists as ministers to deliver in one specific thing where everybody knows that they are not after a more rounded political career, they know more about that subject than the civil servants by and large who are helping them do the job, it shifts the dynamic fundamentally. That happened to me. Because of the CBI and what I did in internationalising that I knew a lot about the work of UKTI. I knew quite a few of the people but I also knew a lot of the markets and a lot of the businesses with which we were going to work every day, but it was a fundamentally different way of handling UKTI which led to some serious success. I do not expect everybody wants it to carry on running in the way it has, to say, "That's a great way of doing it", but if someone can think of a better way of getting ministers in to do this as specialists I will listen. I applaud the Prime Minister for being bold enough to try and change it on delivery. I do think there should be a democratic connection and total democracy in setting policy with democratic accountability. I think that is absolutely right, but in terms of various delivery mechanisms of implementing that policy or doing things for the country I have to say that getting specialists in is first-class. One of the impressions I was left with of the existing system was that so many people in the Civil Service, and I include in that the NHS, I include in that the Prison Service, are far more interested in process than they are in outcome. They pay lip service to outcome because they have got targets to meet. They will pay lip service to outcome because it ticks boxes, but the culture is one of process: "If I have done what I was told to do and I can stand up and say, 'I did all this'", the fact it did not get a result is secondary because, "I have been a good boy, I have gone and done the process". So often I heard that. One of the lasting impressions I have, if you look at the private sector, is that what comes first, second and third is the customer. To keep the customer happy you need good people whom you have to look after. You need investors with whom you have to communicate. There are a lot of other things which work towards keeping the customer happy but the customer comes first. If you look at the public sector their own job comes first. There is a culture where they exist to look after their jobs. Oh, and, by the way, after that there are lots of other things which are very important and to which they will definitely pay attention, but it exists in a self-continuing basis. That is why it is so very difficult to get rid of people. That is why it is so very difficult to end up doing the job with fewer people without those people just being moved to somewhere else in the Civil Service. The reason is that it exists for the jobs and therefore the culture is one which is totally different from keeping the customer happy; therefore delivery is second to process.

Q298 Mr Prentice: There are some grotesque generalisations here.
Lord Jones of Birmingham: Of course there are, but there again I have read you many times in newspapers where you are grotesquely generalising.
Lord Birt: Chairman, we have done too much talking but forgive me if I make one last point of my own. We should not be naïve about how the political market place works. The balance between reward and risk is fundamentally different in politics from the private sector. In the private sector there is reward for creating long term value. In politics, it is

the brave politician who cares, as I think he or she should, about making things better for everybody over the longer term, and most things that are worth achieving do take a very long time and are very difficult to achieve. Nobody will remember who initiated that work when the value finally arrives and no political credit will accrue. We all know the way our politics works, that the reward for taking risks is very poor indeed, and that not only affects politicians but also affects the civil servants that serve them and we know that the punishments meted out by our political system and the media in the wings for getting things wrong, which is an inevitable consequence of taking risks, are horrendous and that affects everybody's behaviour and will continue to do so.

Q299 Mr Walker: Having listened to your analysis, it reinforces my view that our political system is probably past its sell-by date. I think there are many advantages to the American political system. First, there is the separation of powers between the executive and the legislature but also, more importantly, in America when you are a politician you focus on being a politician. You do not try and run things. As the Chairman pointed out, you have Presidents who bring in experts to run things. Do you think that really under our existing political constitution we are constrained from making the changes to improve the overall performance of the public?

Sir Michael Bichard: The point I was making was that I am not sure that I am convinced that we are. If you want the American system we can have the American system. It does have its own downsides and I think we are seeing some of the downsides now—the issue of continuity and transition. I think it takes rather longer and to some extent leaves a vacuum of power. I do not think that happens in the same way in this country. The second point I was making was that I think you can get some of the benefits that you are looking for within our existing system. Yes, we should be more open to bringing in externals, whether they are into the Civil Service or into the political structure. We should be much better at supporting them which, before Digby gets worried, is not about making sure they are obedient to the Civil Service class but enabling them to work effectively in what is for many of them a very different setting. It took me some time to get used to the Civil Service. Some people might say I never did, but it does take you a while. I am not selling the Institute for Government here today but I think the Institute for Government, for example, could help some of the people who are coming in in different roles to be effective earlier. I think you can do a lot of that within our existing system. Personally, I would be very loath to throw all of that out of the window and go for the American system in the UK.

Lord Birt: I would too, for this reason, that we require real expertise in the public sector in Whitehall, as you do in any walk of life. It simply is not correct in my judgment that you can infiltrate very large numbers of outsiders into the top end of these systems and have them overnight become more effective. I just do not think that would happen. We must not underestimate the real expertise that truly exists in the public sector. I have made it clear that real expertise is not enough. All sorts of additional skills are needed. We do need to see continuing reform in the public sector but that, I think, should be the direction of travel, to have much more effective public institutions. Again, as I said earlier, it should be more porous, more people moving in and out from the private sector, but I personally doubt things would be better if we had a very large influx of outsiders. My own experience of outsiders coming into the public sector, not just in government but in the BBC sometimes, is that even the best managers from the private sector can struggle in a public sector environment and some never learn to understand the differences, so I do not think that is a way forward that attracts me.

Lord Jones of Birmingham: That begs the question that the outsiders would work better if the system was changed because I think John is right, that the outsiders have a problem if they are dealing with the existing system. I am with both of my colleagues. I would not fundamentally change the system. I would flex it, finesse it somewhat and take some of the best from the American model. The one thing we forget in this country is that we judge Presidents from over here because of their foreign policy by and large, because it is the one thing they have executive power over, but in so much of their domestic policy, over which they are judged at the ballot box so often in America, they are powerless. They have a real problem in getting stuff through. One of the great advantages of our system is that they go to the manifesto, they say, "Vote for us and we will do that", and the electorate by and large know they can if they get a majority. That does not happen in the United States, so I think that aspect of it is right. As Tony Benn said many years ago, the downside of that is we basically surrender power to a dictator except for one day every five years because of the fact that we do elect somebody who has the ability to implement—and we know they do—everything in the manifesto. That does not happen in America. That is quite a good idea if you want to get things done, but getting it done I think is a call for a greater input of private sector expertise for some time to help on the delivery mechanism as opposed to the policy setting.

Sir Michael Bichard: May I just add to that? At the risk of making you glaze over, leadership really matters in this area. If you bring someone in from outside, in the Civil Service or as a minister the leadership provided politically and by the permanent secretary is very important because otherwise these people will not be clear about their role and the rest of the ministerial structure or the Civil Service will not realise the importance of integrating these people. Whenever I brought someone from outside into the Civil Service, and we brought a hell of a lot of people into the department, I always had them into my office if they were reasonably senior, and said, "I did not bring you here to be a silky mandarin. I brought you here because you have particular skills and a different perspective

that I want to see influence the way in which this place works. If you experience insurmountable problems that door is always open and I want you to come and talk to me about them". A lot of them have said to me since that that was really quite important because it gave them power and clout and it gave them a sense that the very top management was behind them. I do not think that often happens; I just do not think it happens that people are brought in, whether it is into the Civil Service or as a minister, and they are just left there.

Q300 Mr Walker: How are you going to bring people from the private sector in? It cannot be about remuneration because, quite frankly, the taxpayer is not going to wear significant numbers of civil servants earning more than the Prime Minister. That is just a fact; it is not ever going to be tolerated by the taxpayer, apart from beyond probably the current levels, and even those might be excessive, so how are you going to persuade the best people in business, the private sector, to come into government? Are you going to do it a bit like football clubs, where a player will go out on loan in a sense—a Manchester United player might go to QPR and Man United would pay the majority of that player's salary while they were at QPR and QPR would pick up part of it? How are you going to be innovative about the transfer of talent?

Lord Birt: We have common ground in that we do need to see a further influx. It has been happening but we need a further influx of the best of private sector skills into government. For instance, in the finance function, which is chronically weak in government, Whitehall has very weak capability in analysing money and understanding how much things cost and how we can get better public outcomes at whatever level of cost. I have already said we can help boost ministerial capability by giving the minister greater muscularity with advice of a kind that can come from outsiders. Again, that has started. We could certainly do better there. I think the critical thing is to look at the nature of Whitehall departments. We frankly need more managers in what I call line management positions, of which there are very many in a big Whitehall department. Many more of those managers need to be different kinds of people from the ones that are there now. I think the Civil Service has got to look out to bring in different kinds of talent. The sorts of silky mandarin skills are not sufficient in a modern delivery environment. They do not know enough to do their jobs properly. As I said earlier, we need to use the private sector by devolving delivery outside of the public sector so we have greater competition and greater skill and force innovation, force efficiency in delivery. The British Civil Service is not failing. It is by any standards a very strong British institution and, as I said earlier, it is getting a lot better. We do not have to throw out the baby with the bathwater. We have to strengthen it.

Lord Jones of Birmingham: To answer your specific question about how do you persuade people to come in when they are earning more, I have a very simple and a very firm view about this. I was earning a lot of money and I gave it all up and as a minister I earned £82,000 a year. I believed that there was an element of service to my country. I believed that there was an element of fulfilling a dream of how I thought UKTI should be run. I would not have accepted an offer to go and do anything else in government. It was specifically because I wanted to deal with trade and investment promotion and I was very pleased the Prime Minister took the trade policy side of life away from my department because that is not what I saw the job as, and for a period of time I was prepared to give everything up—and I talked a long time to my wife about it—so that I could do something for my country. I know business people have used a lot of their own talents and they have taken huge risks, but we are fortunate people and if they have got to an age where I hope they would put a few other values ahead of earning money "incumbent" is too strong a word but I think that there is something in it to do a couple of years for your country. It is as patriotic and as simple as that. I do understand how, if you are Alan West coming in from the Navy or Ara Darzi coming in from the Health Service, the figures may be different but the concept is the same. They all gave up money to do it. It is something as noble as just doing it for your country. That implies that you would not do it for ever; it implies you do it for a period of time and then go back into what you were doing, which again supports my view of, "Don't get involved with the policy. That's for democracy. Get involved with the delivery of something at which you are skilled and have expertise". Afterwards, when you then finish, the country can continue to benefit because if the mechanism of the Lords is used—I have moved to the Cross Benches and I hope that I can champion wealth creation and business in the House of Lords in the process of legislation and the debate around legislation, and I guess, as your Alan Wests and your Ara Darzis move away in years to come, they will add value to the legislative process on an ongoing basis although they are no longer in government, because those who criticise the make-up of the House of Lords do not understand its work. The experience that can be called upon is enormous and the experience I gained as minister of UKTI is huge. There is an added benefit to the country going forward after you have done the job and, remember, you do not get paid in the House of Lords. You are not earning money doing that; you are doing it for your country again. I know this sounds all sort of wishy-washy but it is a genuinely held belief I have.

Q301 Mr Walker: I am going to have to bite my tongue, Chairman, because I do not want to get down the route that you were in government for a year and a half, you will be in the Lords for the rest of your life; it will not have harmed your career or your own potential in the slightest.

Lord Jones of Birmingham: I agree. Why is that a criticism?

Mr Walker: So to sit there—I am sorry, Chairman. I am going to have to stop.

Q302 Chairman: I think I would like to hear what Michael was going to say just then.
Sir Michael Bichard: I was going to say that there are some people that you will never attract in because they are motivated largely by money. I am thinking about people maybe a touch earlier in their career than Digby, but they are motivated by money. What you have to convince people about is that if you do get into these positions, whether it is in the Civil Service or as a minister, you have the ability to make a real difference on a big stage in a way that is not possible in most private sector companies. Some people are going to be switched on by that, they are going to think that this is a real opportunity, and some are still going to think that money is more important, and probably we do not want the latter group there anyway.

Q303 Mr Prentice: Lord Jones, when the Prime Minister offered you a job did you tell him that you wanted to do it for a couple of years, just like you told the Committee a few moments ago?
Lord Jones of Birmingham: Yes.

Q304 Mr Prentice: You did?
Lord Jones of Birmingham: And I told my department when I joined it.

Q305 Mr Prentice: You have said that being a junior minister was "dehumanising". Did you have a kind of exit interview with the Prime Minister where you said to him, "Gordon, you have really got to do something about this because in my 18 months in the department I was just dehumanised"? Did you have that exit interview?
Lord Jones of Birmingham: No. I did not say I was dehumanised. I said, "The process is dehumanising".

Q306 Mr Prentice: Did you have an exit interview—
Lord Jones of Birmingham: No, get the words right. The first thing is, I did not say I was because I was not. Secondly, do I think the system does it? Yes, it does. Did I have what you would call an exit interview with the Prime Minister? No, I did not.

Q307 Mr Prentice: Do you regret that?
Lord Jones of Birmingham: Regret what?

Q308 Mr Prentice: Not having an exit interview with the Prime Minister.
Lord Jones of Birmingham: It is not like that.

Q309 Mr Prentice: Why should it not be like that?
Lord Jones of Birmingham: No, because there will come an occasion, and I do not know when it will be, when I will have an opportunity to have a discussion with the Prime Minister, I hope, about it all, and there will come an occasion—I do not know when it will be—when I could have an opportunity to discuss it with senior civil servants, so do I think that it will be a good idea? Yes, I do.

Q310 Mr Prentice: Let us not try and talk over each other here. The Prime Minister would be very interested in your views, I am sure, and I would just invite you to write to the Prime Minister and tell him directly what you are telling the world. You have told us repeatedly that specialists should be brought in, and I hope I am not misquoting you again, but you told us, "You have got to accommodate their independence". How does that happen in practical terms, because you did not take the Labour Whip? You served as a minister in a Labour Government. You did not take the Labour Whip. How is your independence, the independence of the specialists that you want to bring in, going to be accommodated? By voting against the Government on it?
Lord Jones of Birmingham: You are actually wrong that I did not take the Whip in terms of voting. I did not join the Labour Party and I would not have joined any other party either, so it is not a party political point either; I value my independence, but there is no way I would ever have voted against the Government while I was a minister. There is no way that I would have abstained while I was a minister, and if I was in the Lords when a vote took place, because my job took me to 45 different ministries—

Q311 Mr Prentice: I read that—31 countries, 45 overseas visits.
Lord Jones of Birmingham: Exactly, but if I was in the Lords I would have voted with the Government for sure, because you support the captain of your team, do you not?

Q312 Mr Prentice: You trumpet this independence but in 18 months, even though you have been outside the country on 40-odd occasions, you would always vote down the line with the Labour Government? Were there never any occasions when you thought, "I am doing this but in my bones this is the wrong thing for me to do because I am an independent kind of guy"?
Lord Jones of Birmingham: I can truly tell you that I was never put in that position because I was not in the Lords at any of the votes.

Q313 Mr Prentice: I see, so that is how this system accommodated you.
Lord Jones of Birmingham: Actually, I was never in the Lords on a day when there might have been a policy to vote on which I—
Chairman: Let us just draw breath and at least make sure that we talk one at a time.

Q314 Mr Prentice: I am just trying to understand how the system accommodates people like Digby Jones. You told us earlier that the system has got to flex and finesse.
Lord Jones of Birmingham: Yes.

Q315 Mr Prentice: And the fact is that if you had problems with a government policy you were out of the country so you never had to vote down the line

on a government issue that you felt strongly against. That is the reality. That is how the system accommodated Digby Jones.
Lord Jones of Birmingham: *De facto*.

Q316 Mr Prentice: Yes.
Lord Jones of Birmingham: Yes.

Q317 Mr Prentice: I am glad we established that.
Lord Jones of Birmingham: *De facto*, not that that was intended.

Q318 Mr Prentice: I am glad we established that. Can I just move on to Lord Birt, if I may? You said something which was quite astonishing earlier when you were talking about the "failings" of the British system. You said, "We have got the worst transport infrastructure in the developed world".
Lord Birt: Yes.

Q319 Mr Prentice: On reflection, do you seriously believe that to be the case, because in the United States they have got crumbling bridges, a rail network that is nothing to speak of, highways that have potholes, recognised by the American administration, and you come here and tell us that we have got the worst transport infrastructure in the world?
Lord Birt: As you may recall, I led the long term strategy on transport project when I was at Number 10. I worked with a large team of excellent and talented civil servants, many of them from the Department for Transport, as well as outsiders and lots of others represented on the team from the Treasury and so on. I cannot remember whether the fruits of 12 months of our labours is among those bits of my work which were leaked or released under FoI, I am afraid, but you could not but read that—and I emphasise, though I led it, the very large number of the Government's best and most analytical minds at work here—and come to the conclusion at the end of the day that, whether you look at our rail system or our road system, we are simply the worst in the developed world.

Q320 Mr Prentice: Fair enough, we are not the Transport Committee.
Lord Birt: That is not a matter of opinion but rather the result of a great deal of hard work and labour.

Q321 Mr Prentice: Fair enough. The Chairman is going to admonish me if I continue going down that road. Can I ask you simply, because you have talked a lot about leadership, is any government only as good as the person at the top?
Lord Birt: Are you asking me this?

Q322 Mr Prentice: I am asking you, yes.
Lord Birt: Because I think it is Michael who rightly emphasised leadership.
Sir Michael Bichard: I am happy for you to answer.
Lord Birt: No system of any kind, including government, can be wholly dependent on the person at the top. The person at the top matters more than anybody else because that person provides leadership and tone and manages the broad direction of government policy, so of course the quality of the person at the top is critically important, but in no organisation can you survive unless alongside a good leader you have a good team and every part of the organisation, and here we are talking about the Civil Service, is as good as it possibly can be. You need a lot of things to be in place before you can deliver.

Q323 Mr Prentice: Indeed, but it is the Prime Minister—one person—under our system who selects every minister in the Government. Michael, did you want to comment on that?
Sir Michael Bichard: There are some things that only the person at the top can do. That is one of the points that I was making earlier, whether it is the Permanent Secretary or Secretary of State or Prime Minister, leadership is something that you have got to have right through the organisation. I think the most depressing thing I have heard this morning is Digby saying that his experience was totally dehumanising, not that he was dehumanised (and clearly you can see he was not). I think as a Permanent Secretary, and I know that my different secretaries of states would have been really, really depressed. I do not think I have come across any minister that I have worked for or worked with who would have said it was dehumanising. I think that has got to be to some extent down to the leadership.

Q324 Mr Prentice: Yes, well, I talk to ministers all the time, and I am going to ask them, following this session, whether they have ever felt dehumanised. That is what I am going to do, and I think I may write to the Prime Minister after Digby writes to him. There are a couple of things that you have said that I just want to follow up. On the question of joining-up government, the way in which things are moving now is towards personalised services. If you have joined-up government with personalised services there has got to be much more data-sharing, yes?
Sir Michael Bichard: Yes.

Q325 Mr Prentice: How do you reconcile this business of joining-up government with the regulation which is essential if there are going to be massive transfers of personal information about individuals between departments? How do you strike that balance?
Sir Michael Bichard: It is such an important issue and I am glad you have raised it really because I do think that good, effective government in the future is going to require much better management and sharing of information. Whether you are looking at the Health Service or whether you are looking at the Police (which I know a fair bit about as a result of Soham) we have got to find some way in which we use information better for the benefit of the end user, whatever you want to call them. The technology of course is now available to enable you to do that better than ever before. All of that is good news, all of that is accepted. Unfortunately, at this particular moment in time, public confidence in management

and use and sharing of information by public agencies is going in the opposite direction. I do not have a solution to that although I think both Governments could have shown a bit more leadership around this issue of data and privacy over a long period of time. I do not have an answer, and it is something the Institute wants to look at, but somehow we have got to bridge that chasm. If we do not bridge that chasm then I do not think we are going to get the level of effectiveness in government which we need and which the people out there are expecting.

Lord Birt: I wonder if you would allow me to come in on the back of what Michael has said about this and the point he has made a number of times that you have alluded to, namely how can we get better collaboration across government. Collaboration across any institution is a fantastic challenge. It is probably the most difficult thing that you can do because you have got people with different line management responsibilities, and often the people involved may be quite a way down any bit of the line management. This is true in the private sector but it is manifestly true too in the public sector, as Michael has said, where you quite often find yourself in a position where to achieve a better outcome you need to galvanise very large numbers of different bits of the system. It is a huge challenge. I would say that Gus O'Donnell has picked up this challenge in the last couple of years and things are, as so much else, a lot better than they used to be, but we should not under-estimate just how big a challenge it is. A number of times when I was at Number 10, I can remember three or four occasions when I was involved in discussing big challenges, and you would go to the meeting expecting to find half a dozen people there and you would actually find a room of 40 or 50 people there, each of them (sometimes they double-bank them) representing some part of the system, sometimes in the same department, more often in a variety of different departments. There are a number of issues, and we have not got time to talk about them today, where you cannot deliver radically different and better public outcomes unless you can galvanise all those people. It is a huge challenge. What would you need to do to achieve it? It is a politically unpopular thing to say but you need a strong and capable centre because the centre has got to help develop, talk to all the people, understand the challenges and get the master plan. You have got to identify the accountabilities in the system and those accountabilities go up to the Permanent Secretary and go up to the Minister. They may not be, frankly, always something that the particular minister cares about, so you need quite a complex apparatus, so to speak, to get the programme plan or the project plan and then clarity about the accountabilities, and clarity about the incentives for those individual civil servants to deliver, which are often extremely weak, and, as Michael said, there is often a technological take on the back of that; you have got multiple systems, how do you integrate them, for example. These are huge, huge challenges and they are the challenges of our time. We will not be able to meet those challenges without an infinitely more effective, sophisticated and rigorous set of capabilities in the public sector than we have now.

Sir Michael Bichard: We can talk about what we need to achieve them. My frustration is that often we do not break that down and say what actually needs to change, not with new mechanisms and new structures but how can we use the existing mechanisms to exert influence? How could we use the select committee system more effectively. I bring it home to you. I think you are the only select committee, and I am probably now going to be proved wrong, apart from the Public Accounts Committee, that looks across government. Most of the others are actually still silo-based. What message does that send out when we say we want more joined-up government? We need to look at everything that we are doing and ask whether this is sending out the right message on how we should join up our thinking and our delivery. I know that is a different point to your point about information, but I worry about information because I think, unless we crack this, then patients are not going to get the service which they could expect in the future and which they would expect in the future. We are going to continue, although the Police are making progress, to have problems with the sharing of intelligence which needs to be shared around the country between forces. Somehow government, of whatever colour, whenever, has got to give some strong leadership and get a public debate going about this issue.

Mr Prentice: I would like to continue this but my colleagues are waiting.

Chairman: Thank you very much. Paul Flynn?

Paul Flynn: A few weeks ago we had a group of four very distinguished former Cabinet ministers sitting where you are sitting and we were struck by the way that they were relaxed, they were very much humanised people, they were talking to us, they were humorous, they communicated freely, and the comparison was made at the time by saying, "When you four were in front of the dispatch box you behave like lobotomised automatons and now we see this transformation, ie now you are free of the burdens of office." I was struck, Lord Jones, by what you said about this dreadful experience of being junior ministers, which thankfully every member of this Committee has been spared that torment—

Kelvin Hopkins: I wonder why actually!

Q326 Paul Flynn: Do you think that this is permanently damaging and was passed on to the Cabinet ministers we saw before us and then were they transformed back into human beings now they have left office?

Lord Jones of Birmingham: I am literally going to answer your point by just using two words: "case proven".

Q327 Paul Flynn: Can you describe the damaging effect of it?

Lord Jones of Birmingham: Because of the fact that I was not on a career path as a politician and because I had no political ambition, I did not have to suborn

myself to all those influences that are part of the depersonalising cannon-fodder process. It is true to say that the system militates against the personality of people, especially junior ministers, but also probably Cabinet ministers. The trouble with the word "dehumanisation" is that you can make headlines out of it, it can become exaggerated, it can become almost offensive, so perhaps we ought to think of a better word, but the personality of people and the ability to be frank and the ability to speak their mind and the ability to be the person that made you attractive to an electorate, if you are on one side of it or to an appointer if you are on the other side, those very qualities so often get suborned to the system. The word dehumanisation is probably the wrong word so we might like to think of a better one before headlines are used. However, I do think the cannon fodder idea of this and this idea that the Civil Service say, "This is how we are doing it and you will actually do it the way we do it, not the other way round," is very relevant, and I think your experience of the four Cabinet ministers probably proves my point.

Q328 Paul Flynn: You mentioned one of the other pressures on junior ministers and the Civil Service is that they are terrified of the *Daily Mail*. Could you explain why this makes cowards of them all?
Lord Jones of Birmingham: I said that in the article, did I not?

Q329 Paul Flynn: Yes.
Lord Jones of Birmingham: Two or three times I went and saw one or two pretty senior civil servants and I said, "Why don't we . . . " "Don't blame us; blame the *Daily Mail*." They actually used the words to me, "We have got to do it this way because of the *Daily Mail*." I said, "If we are right and we are strong and it is the right thing to do, do it." "No, no, don't blame us; blame the *Daily Mail*." It is this risk-averse attitude and that is probably what I mean by this.

Q330 Paul Flynn: There was a series of Reith Lectures that took place probably when the three of you were in school under the title "The Unimportance of Being Right". It was about the Civil Service and it suggested that civil servants who had the audacity to be found in the possession of an intelligent idea their careers would wither and those who followed the line that was laid down, by the *Daily Mail* presumably or some other lowest common denominator, their careers would prosper. I put that to Gus O'Donnell who was very insulted by the question suggesting that his career path was determined by the unimportance of him ever being right on anything. Is that a fair comment?
Lord Jones of Birmingham: I would distinguish there. What the civil servant was really saying to me and where I think that Gus is right in this is that it is not the civil servant who is frightened of the *Daily Mail*. The civil servant is doing his job as defined, which is to protect the backside of the minister, and it is the minister, and therefore the elected government, being sensitive to the media, which is really what that means, that the civil servant is trying to deal with. It is not that the civil servant is going to get into the *Daily Mail*, but he will be judged in part by how his minister got through the media mire. I do not think it is about the risk-averse civil servant being worried about him being in it; it is about waking up one morning and finding his minister is in it.

Q331 Paul Flynn: One of the conclusions that you made in one of your strategy papers, Lord Birt, was that our drugs policy is costing the country £24 billion, and thousands of people are dying as a result, more than in any other country in Europe. That paper was not published, it was released under freedom of information, and there was virtually no action as a result of it. What are your feelings about that now?
Lord Birt: I think drugs is a really good example of what I talked about earlier and, indeed, when I said earlier that there were a number of occasions in my time in government where you went into a room and there were very large numbers of people there, drugs was one of those occasions. The reality is that you have a multiplicity of agencies and interests involved. They are all passionate, dedicated and concerned with the task in hand that they have in their bit of the system. They are doing their best. They do not want to change the whole system.

Q332 Paul Flynn: They are not concerned with outcomes.
Lord Birt: There is too much invested—and this is a general truth in a lot of public policy—in the status quo. Do not under-estimate the extraordinary inertia within the departments and within the Civil Service itself on many questions. It is honest and it is well-intentioned but it is inertia and it is the enemy of change.

Q333 Paul Flynn: Would you regard that period, particularly on that report and the other blue skies things you did, as a failure? Do you see anything worthwhile coming out of what you did?
Lord Birt: I think that what happens with a lot of that kind of work, and again I would like to keep on emphasising that I never did anything by myself, there were always large numbers of other people involved in the process—I do not want to go into detail, but I am absolutely satisfied that in most instances people's exposure to solid evidence (because that is what we are talking about) changes their view. It was not opinion; it was the gathering of evidence from all over the world, and an intensive data-gathering exercise in the UK itself that had never been done before, understanding, in this instance, how many problem drug users are there; how did they fund their habit; what did they do to fund their habit; what is the evidence across the world of what you can do most effectively with problem drug users. There was not, I would like to say, half-baked opinion in it anywhere; it was all hard evidence. I have all sorts of reasons for believing that an awful lot of that analysis then becomes digested and becomes part of people's

understanding. Again, my experience over time, not just in government but in other places, is that often there is a big delay between insight and action.

Q334 Paul Flynn: I do not want to go on too long about this because it is a bit of a hobby horse of mine but really we have a situation where you have pointed out, quite rightly, that on this rational evidence—and I praise your report and continue to—and like many other reports that have been done by distinguished bodies you came to the same conclusion that our drug laws are not working and they are killing people in very large numbers and costing £24 billion. This situation is dreadful but there is no-one on the political side that has the courage to do anything but what is popular in what appears to be the lowest common denominator which is the *Daily Mail*.
Lord Birt: In that particular instance again I am very hesitant, as I was last time, and I do not want to reveal too much about what happened when I was in government, but I do not mind saying in this particular instance that I think the Prime Minister supported the totality of that analysis and the implications of it. Do not under-estimate, even if you are the Prime Minister, if you have got a solid array of vested interests—and I do not use that in a disparaging tone because, as I said, I do not at all doubt the good intentions of those vested interests of all kinds, from the security services and the police and the health services, and so on—they have got so much invested in the status quo, and so the notion that you are going to fundamentally change the system, the policies, the way we deal with these things was just too much for them to take, and the politics did not allow the Prime Minister of the day to take it on. That is a reality in much of politics; some things are possible and some things are not. The job of people like me was, frankly, to ignore the difficulties to a degree and try to lay bare the evidence.

Q335 Paul Flynn: Okay. I will turn to another subject. You were associated in the BBC and in Government with "Birtism" as it was called, managerial speak which most of us find incomprehensible. If we had a look at bad language you might well star in that report. You were also associated as part of this with bringing in consultants to do work that one would expect the Civil Service to do anyway, and there was an explosion at that time. This seems to be going out of fashion now. I believe that people are rather critical of the poor results and the poor outcomes when many of those consultants were brought in. What is your present view on that?
Lord Birt: My present view is the same as my old view which is that there are good consultants and there are bad consultants. Good consultants bring analytical skills and they bring insights from across the world. The major consultancies are present in every market in the world and they do a great deal of work for a lot of different kinds of institutions. They can syndicate those insights, they can be invaluable, but you need a system to act on those insights, and that is often where it goes wrong. The delivery occasioned by those insights just does not happen sufficiently well.

Q336 Paul Flynn: We are looking at performance in government. Do you think we need some kind of judgment on these consultants who are becoming hugely expensive on what the results have been, that someone should make a judgment on this and other matters, and we should have some kind of performance body to actually measure the results?
Lord Birt: I think it is really dangerous to be hostile to consultants. To be honest with you, most of the hostility against consultants within the system itself is people not wanting outsiders to turn over stones and uncover what really lies beneath them. I do not share the hostility. As I said, not all consultancy is good but the best consultants can be very helpful. Actually at the top end of government there is not very much consultancy. A lot of the work that I was involved in was done by the Strategy Unit, which is essentially an in-house government consultancy in many ways, and many of the people who work in the Strategy Unit come from other places such as the major consultancies, some of them come from the City or business backgrounds, as well as bright sparks from the Civil Service itself. I think the work of the Strategy Unit, which this Committee praised, as I recall, in one of its reports, and I share your regard for the Strategy Unit, is a good example of how evidence-based consultancy can really aid intelligent policy formation.
Sir Michael Bichard: I think consultants is part of a wider problem. It is the issue I mentioned earlier about commissioning and procurement and whether government and the Civil Service is good enough at commissioning and procuring services. There are some occasions when it does make sense if you need a short injection of skills which you do not have and which you are not going to be able to get. If you are going to use consultants though you need to be very good at specifying what you want from them and managing that process. I think we need to be better at procuring and commissioning all sorts of services. When I came in from local government into a central government department I found that there were at the time over 200 consultants from one particular company working in that department. I did not feel that that was an example of good procurement or good value for money. I do not think that happens in the same way now but we need to be better at managing. Consultants get frustrated sometimes that they are not actually used effectively.

Q337 Paul Flynn: Sir Michael, there has been some progress. There is no such thing as an Education Committee, there is only a committee with Education in its title now, so there has been an attempt to do this. I want to ask you to develop what you were saying about global warming and how you would like to see that develop. We are having a

decision on Heathrow Airport which some people see as an environmental issue and other people see as a transport issue now. How would you see the challenges of the next 10 years, particularly in view of the world possibly following in the slipstream of Obama on the environment with his likely to be very more progressive policies?

Sir Michael Bichard: We do now have a Department for Climate Change and personally I think that is a step forward. I am not someone who believes that structural change on its own actually solves a problem, but I think it is such is a big problem that it is good to see it reflected in government structure. Please, I am not an expert in sustainability and climate change, although I think my work at the Design Council is making me a bit more informed, and I do not have the answer to that in policy terms. What I am asking is are we organised sufficiently well to address a problem like that because it is not one department, it is not even the Department for Climate Change, it goes right across government, are we flexible enough to be able to move quickly to address elements of that. Do we use our existing various processes better to ensure that this issue is given a priority. Those are the questions I am asking and I am just saying in the future there are three or four big issues like that. I am just not sure that government is currently best organised or best skilled to deal with them as effectively as we would need to. That is what I am saying.

Q338 Chairman: On the issue about ministers, not the dehumanisation point, but another point which is—

Lord Jones of Birmingham: I think we have thought of another word for that.

Q339 Chairman: — Okay, you tell us in a moment, but we have had it put to us, and Geoff Mulgan, the former Head of the Strategy Unit put it strongly when he was here, and he said that the number of ministers now was dysfunctional to government and Ken Clarke agreed with that. Leave aside whether it dehumanises them, I just wonder whether we need all these people.

Sir Michael Bichard: I would think that we have too many ministers at the moment, yes, and that maybe it would be interesting to look at whether the Cabinet itself is too large to provide the coherence and the leadership in the joined-up way that I have been talking about. I can now look at that in a rather more dispassionate way than I did in the past. I understand that these are big political issues. These are not issues that are taken entirely on the basis of rational thought. They are, "We need a Cabinet of this size because we need to have these people in it," and I understand that but I think there is a case for saying maybe the Cabinet is too big and maybe we have got too many ministers, yes.

Lord Jones of Birmingham: If we look at the system and not the people for a minute, the system militates towards more ministers and a big Cabinet. The system militates towards, if I may say with great respect to the gentleman, the number of MPs that we have. 21st Century Britain and the way that certain things should be delivered probably calls for a smaller Cabinet, fewer ministers and fewer MPs.

Q340 Mr Prentice: And a smaller House of Lords?

Lord Jones of Birmingham: I cannot sit here and say all that and disagree with you on that either. It calls for a different way of doing it, for sure. You cannot just say fewer ministers if you keep the same system. The system leads you to all these people so it has to be the other way round.

Q341 Chairman: You want a tighter system, do you not, Lord Birt?

Lord Birt: Under the present system I think we probably do have too many ministers and having too many ministers undoubtedly leads to the "something must be done" tendency and it certainly leads to, "I need to attract attention because I am keen to have promotion," so a lot of junior ministers are extremely keen when they get into office to find the six sound bites that can get them noticed by the higher-ups in their party over the 12 months that they are likely to be in the position. I do not think most of that helps the better government agenda that we have been discussing today. However, I said earlier that ministers need more muscularity. If you do away with junior ministers you have an increasingly isolated minister, surrounded by the Civil Service. I do not expect that many Cabinet ministers would want to be so friendless, so I think, yes, fewer ministers if we carry on as we do at the moment would probably be a good thing but if we were seriously interested in better government and really using those ministers well and intelligently, then I have no problem about their number.

Q342 Kelvin Hopkins: Just a simple question first of all. There has been a lot of criticism of the Civil Service by yourselves, but which particular layers of the Civil Service are you most concerned about? It is a multi-layered animal and there are the mandarins at the top but there are many other layers even in central government departments. Where are the key weaknesses?

Sir Michael Bichard: I just want to say that improvement is a journey. I know that sounds awfully glib but we are on a journey and I think that things are improving. I am a great fan of some of the things that Gus O'Donnell, the Cabinet Secretary, has done to try and support that. I do not want to give a totally negative picture here. I think things are improving. I think the two areas you really need to focus on are leadership at the very senior level (and I think that has improved but there is always room for further improvement) and also at the level of middle management. I know that is almost a cliché but I think that is where you have got to focus. Someone mentioned just now the word "promotion". I think it was mentioned in terms of politics. Promotion is a hugely important issue and

the messages that you send out by who you promote to the very senior positions and indeed to the positions below that, really matter. People watch whether you are promoting, for example, the people who can work well with other departments or whether you are promoting the people who are focused solely on their one department, whether you are promoting the people who are very good at consolidating safety first advice or whether you are promoting some people who have got fresh ideas, who manage the risk rather than take it and who every now and then may have something go wrong (but that is the cost of innovation). I am not sure that we yet—and this is a point I keep making—use processes like assessment and promotion to make sure that the right things are being valued and the right people are getting up the chain. When I was in the department we said at the beginning we want more people who have got operational management experience. Fine, okay, we all agreed with that; no-one did anything about it. We said after a year or two, "In the future we are only going to promote people who have had good operational experience." "Hang on, they are a bit more serious than we thought we were." Towards the end of my four years in that department we sent out a request for people to apply for promotion to the senior Civil Service and we put in the advert: "We will only consider people who have got a wide range of experience". People were flooding through my door at that point looking for secondments into the private sector and local authorities because they realised that at last we were serious about this. All the rhetoric in the world does not change the culture of an organisation. It does not make it behave differently. You have actually got to take some difficult decisions.

Q343 Kelvin Hopkins: It is my impression—and I may be wrong—that the esteem and the power of the Civil Service has been diminished relative to the political world and it is perhaps less attractive to the best minds than it was.

Lord Birt: That was not my experience. I am sorry you characterise what we have said as having substantial reservations about the Civil Service because I think we have all cast to varying degrees the notion that the Civil Service has considerable strengths. We have inevitably today been talking about the way in which it can be improved but, as I said earlier, I do not think there is a talent problem. I think that the people at the top, in the middle ranks and a lot of people I have worked with in government who were front-line civil servants who were junior people in their 20s or early 30s either from the departments or from the centre, these were some of the most talented and capable young people that I have ever worked with, and I have now worked in a variety of different institutions in the private and in the public sector. I said earlier that alongside that there are some under-performing civil servants, and dealing with poor performance is a real issue, importantly, for many of the best civil servants themselves because they feel trapped in a system which does not deal firmly enough with some of its problems. As we have all said to one degree or another, things are getting a lot better but the challenges of modern government are such that we do not just need things to get better, we need real transformation; and we are some way from real transformation. I think that we are some way in Whitehall departments from having a properly integrated top team of all the talents where people from all disciplines play their part, particularly in the oversight of these complex institutions that we have been talking about for much of the morning. Again as I said earlier, I think many of the line managers, and Michael is right, we have seen a change, there is greater emphasis on delivery, just being in a private office is no longer a passport to promotion in the way that a successful career in private office used to be, but things happen quite slowly in this world. You do not have the urgency and the attack and the speed of action that you get in a private sector environment, so these things need to be addressed. Ideally they should be addressed more speedily but the cup is half full.

Lord Jones of Birmingham: If you look today at recruitment bright minds do go into areas where it is not hugely remunerative; they do it for other reasons, and to join the best Civil Service in the world is quite a come on, quite a hook. Pay and conditions have improved enormously over the last few years, so the comparative with the private sector, other than at the absolute top, is very healthy indeed. I tell you in private sector comparatives these days the private sector probably comes off worse in many areas. If you are looking at right now and you are coming out of university, you might think, "I will go into a job where job security is still so much better than in the private sector, where the pension is just in another league to the private sector, what is more it is going to be paid for by the private sector, and, thirdly, at the end of the day, I have got the chance of stimulating my mind in a way that might not happen in certain areas of the private sector." I would not worry too much; in fact I would not worry about it at all.

Q344 Kelvin Hopkins: The quality of political decision-making, in my modest view, has deteriorated. I use an example, the 1967 devaluation. A friend of mine who had worked in the Treasury in the 1960s said that the decision was taken essentially by civil servants on D-Day minus 40 and they told the Chancellor on D-Day minus 11. This was done by the Civil Service, and the Chancellor went along with it, and then the devaluation happened on D-Day itself. By contrast, the 1990 decision on the European Exchange Rate Mechanism was very political, and the politicians hung on until the very last moment, costing the Treasury vast sums of money to prop up the pound. Had the same civil servants been involved from the 1960s that disaster would have been avoided and the Conservatives might even have been re-elected in 1997, who knows. That economic disaster caused a serious political

change. The wilfulness of politicians is now much more obvious than in those days and the power, independence and calibre possibly in the Civil Service is diminished. I was struck very much by what Sir Michael said about consultants. To walk into a department and find 200 consultants in a department is astonishing. Sir Humphrey would not have tolerated that.

Sir Michael Bichard: I have always preferred, and I think most civil servants want to work with strong politicians. They want to work with politicians who have a sense of vision, who want to make a differences and add value. However, if you are going to have strong politicians you have got to have strong civil servants too who can engage in a real dialogue and conversation. I do not know whether it has got worse or whether it has got better. When I leave here I am going to go and talk to an academic who wants to do a substantial piece of work on policy failure. What I am going to say to him is we do not start out saying it has got worse but it really would be interesting, and we do not do enough of it, to look at is there a pattern in some of the policy failures? Why did they happen? What can we learn from them? I think too often when things go wrong (and sometimes when things go right) we walk away from it and we move on to the next issue. Just a little bit of reflection. I am agreeing with you that there have been some pretty awful policy failures, but I want to learn from them rather just stick at the point where we say there have been more than there used to be.

Lord Birt: I have known different generations of the Civil Service and I have no doubt myself that this generation is as talented and, in important respects, more skilled than the previous generations, so I do not think that that is a difficulty. I would be in some agreement with what you say but I think the cause is different. It is the thing that I alluded to earlier which is that our political environment has changed and there is certainly more short-term, ill-considered policy than there used to be. Things moved at a more stately pace in the past and there was a greater opportunity to consider things and now there is often a big rush to say something or to do something and the proper amount of time, the proper amount of rigour is not always brought to bear.

Q345 Kelvin Hopkins: Just one more question which is really about a phrase that we use a lot here about the importance of civil servants telling ministers, telling politicians how it is, we say "speaking truth unto power", and having the capability, the intellectual calibre and the strength and independence of mind to be able to do that. Lord Birt talked rightly about the failure of transport policy in Britain. It is chaotic; it is a mess; and it compares very poorly with the continent of Europe. Did any civil servants point out to you the difference between the continent of Europe and ourselves is that they have kept their public transport largely in the public sector, as an integrated system. We have fragmented and privatised and liberalised ours and it is a mess. Theirs actually works. Looking at the railway systems on the continent of Europe, Lord Birt, would you not think that you could advise the Prime Minister to look again at rail privatisation and the privatisation and deregulation of buses? Would it not be sensible to suggest to the Prime Minister that we bring it all back into the public sector and integrate it, like transports systems in Germany, France, Italy and Holland?

Lord Birt: I did wonder if Mr Prentice had been to Europe recently. I say that in humour and jest. As the Chairman I am sure will say, this is not the Transport Select Committee and there simply is not the opportunity to address your questions at length. However, I would say that I think the reasons for our poor transport go back a very, very long way, and at the heart of them is a lack of investment, and there are very easy-to-see reasons for that. You have to go back to the 1970s and the 1980s and the state of our economy and what the priorities of public spending there were. If you actually analyse our spending over a very long period of time, we have invested far less than most other countries in our transport infrastructure. I think that is the key reason and, frankly, it is the responsibility of all parties. Again, I say that sympathetically because if you look in detail at why it happened, it is perfectly easy to understand, given some of the horrendous circumstances that Britain went through in that period, why transport was not a high priority, but we have paid a price. Different political parties will take a different view about what is the best way of getting transport infrastructure, whether through public funding or private-public partnership, and there will be honest differences on that, but I would think everybody should unite behind the evidence that the infrastructure does not match up to that of other comparable countries.

Q346 Kelvin Hopkins: Just to reinforce the point, was there any civil servant who put the view that I expressed and which I think is commonsense, and the average person in the street knows to be commonsense. Was there one civil servant that said that to you?

Lord Birt: I do not honestly remember but what I can remember very clearly is that a lot of the civil servants who worked in transport, and some of them were quite excellent in terms of their understanding, a really powerful modelling capability for instance in the Department for Transport, which allows them to look quite a long way ahead and understand what is going on, had felt neglected for decades and that no government had properly focused on the issue. I am bound to say that we could all list a long line of transport issues which have been addressed, which something has been done about, but I am talking big picture here and how effective is our rail system, how effective is our road system, where are we heading in terms of congestion, that sort of much more macro agenda has, by and large, been ignored so a lot of those civil servants felt that they were being ignored. By the way, they wholly welcomed the notion that

they had a Prime Minister who at least was willing to suggest that we needed a proper, long-term, integrated transport policy.

Q347 Kelvin Hopkins: But who was wholly opposed to bringing things back into the public sector.
Sir Michael Bichard: At the very top of any department you have got to develop a culture in the place where people can speak their minds because then there is some sort of sharing of the mission. I have to say that I never found that I had civil servants who were unable to speak truth unto power and, indeed, once or twice I had to take one or two of them aside and say, "Yes, that is very important but if it is the only thing you do, people get a bit fed up after a while, and there are other ways in which you can present bad news which takes the Secretary of State with you." I must say I never found that. You are absolutely right that the stronger the politician the more protection by and support of civil servants at a middle-ranking level you need to be able to do that.

Q348 Chairman: Can I just nail down one thing because we keep coming back to this issue about weak performance being a problem with the political system and not being adequately dealt with. I just want to make sure that we have got from you your analysis of what it means to adequately deal with it. What could we put in place, whether structure or whatever, to change a culture which everyone seems to agree does not deal well with poor performance?
Sir Michael Bichard: I think Digby actually came up with a form of words earlier right at the beginning which personally I would not disagree with. People need to be absolutely clear what is expected of them. If they are not delivering it then you need to discuss that with them. If they continue not to be performing, then at some point you have got to be prepared to take action. I am afraid I did see too many examples of that not being done and people being allowed to stay in a post or to be moved around (not I have to say in the department I was running, he said quickly!) I think there needs to be strong responsibility and accountability visible in a line management sense. If you are asking me more generally across government how we can improve the levels of accountability and performance management, if you like, I do not like your idea of a National Performance Office. Sorry, it was not your idea, it was Robin Butler's idea. I think we have enough people around already who are working in the field, not the least of which is the NAO (which will shortly have a new leader and has a new Chairman) and I think the NAO could play a much more constructive positive role in this area. You also, if I may say so, missed out the possibility that the National Statistical Agency, which is beginning to establish itself, could also play a part particularly in validating some of the performance data that is around, and you might find a conversation with the National Statistical Agency helpful and constructive at the moment. I have reason to believe that you would. I think what we need to be doing, in other words, is looking at our existing agencies and making sure that they are more effective and focusing on what we believe to be the real priorities. If joining up is a priority, what are we doing to look at whether people are joining up? If innovation is a priority, what are we doing through our systems of accountability to look at that. Finally, the real worry I have is that if you look right across the public sector at the moment, we have in some ways the worst of all worlds. We have an accountability system which is not very effective but which is stifling innovation, and somehow we have got to get the balance between accountability and innovation and we have got to have a better balance across the public sector than we have at the moment. It is a much longer debate but it is an important debate.
Lord Birt: Weak performance is an issue in many organisations, not just in government, and you ask what is the best way of dealing with it. In well-run, modern organisations you have a performance management system where individuals understand what is expected of them, they will have personal objectives, they will have objectives associated with their role whatever it is, they will have a proper review process at least once a year, a really serious review process which looks at their performance, looks at their capabilities, understands how they need to improve their capabilities, and helps them if they are struggling to acquire new skills, sends them away for training or gives them counselling or coaching or whatever. If they are manifestly failing to meet their objectives then in most workplaces they will have the equivalent of a yellow card, and if they continue to fail they will be asked to leave. I do not think we are at that point. This is not an issue that is not discussed in the Civil Service and, again, as with everything else we are discussing, I think some things are being done here, but, again, is it being done with sufficient urgency and attack? I do not think so.
Lord Jones of Birmingham: If you find so many areas coasting and then acute stress levels because people know that they are not in any way being encouraged to deal with their deficiencies and they are just being talked about behind their backs and criticised, that puts enormous stress on people, so it is not even a system which develops the people as human beings, and then at the same time, John is absolutely right, to bring in that system of performance management would be an enormous culture change in the Civil Service. If it works the taxpayer would get more bang for the buck (and you would have fewer civil servants, by the way) and the same time you would have a better result for the United Kingdom, but it would call for some serious change management at the top and the courage to see it off with both the unions and also, I would submit, the entrenched culture of the organisation. It is something where really you are trying to deal with a 21st Century competitive economy with a 19th Century organisation, and that is a huge problem.

Q349 Mr Prentice: One point briefly, we have heard a lot this morning lionising the private sector and every year we spend £79 billion outsourcing to the

private sector and they have been truly spectacular failures—
Lord Jones of Birmingham: Not true.

Q350 Mr Prentice: I had an adjournment debate on the Educational Maintenance Allowance—
Lord Jones of Birmingham: — Completely untrue.

Q351 Mr Prentice: I had an adjournment debate on the Educational Maintenance Allowance which was being administered by the private sector, by Liberator, only a couple of months ago. Sir Michael, you said one of the things that we must address, and you gave us a list at the very beginning, was commissioning outsourced services, and in the case of the Educational Maintenance Allowance, which you may have followed because of your previous experience, it went through all the processes; it was subject to a gateway review; it was waved through, and it was a colossal delivery failure. If you were in charge of the commissioning aspect of central government, and you had this for the next six months or a year, what would you do to tighten up commissioning of private sector organisations to make sure they actually deliver what they say or are contracted to deliver?
Sir Michael Bichard: There are bad private sector companies and there are good private sector companies. Some of them will perform well and some of them will not perform well. Sometimes the failures are not because you have a bad private sector company; they are because the Civil Service or the Government itself has not specified clearly enough, has not set performance indicators and has not monitored and managed those, and has not acted upon failures as they develop in the system. I am not close to EMAs so I would not want to comment on that, but in looking at any failure you need to look at the extent to which it is a failure of commissioning and the extent to which it is a failure of the management within the organisation, could you have picked it up earlier and acted upon it. I do not know the answer to those questions in that particular case but you need to look at all of that. The commissioning process on paper may look very strong. I have been involved in gateway reviews. I was chair of the Legal Services Commission until very recently and we were involved in some gateway reviews. Were they as stringent and incisive as I would have wanted, well, maybe not? You can always have a process which looks good on paper, you have to look though at whether or not that process is actually being implemented effectively and that is what I would want to do. I am not close enough to the gateway process but I am never convinced that a process alone is the answer. It is who the people are who are involved.
Lord Birt: I do not think we have lionised the private sector. I have had experience of a lot of different organisations in the private sector. Some are quite excellent and achieve things that are not matched anywhere in government. Many are not well managed and some are even less well managed than some parts of government. There is a huge variety. Surely the job is to try and learn from the best managed private sector institutions and try to draw into the public sector some of that experience. I think you are absolutely right, we have had some spectacular failures on major projects in government. This was something that I was party to in many discussions when I was in government myself, particularly with the technology community. I am sure that the commissioning process can be improved, but I think the main hallmark of failure, from my own experience—and there will be others who know more about this than me—the main reason for the failure of many of those projects, frankly, I think rests in some of the things we discussed earlier, which is the lack of skill of line management in government. You have to explain why some of these outside organisations collaborate very effectively in the private sector environment (not always but more often) and struggle to be so effective in the public sector environment. If you talk to the technology community in government, most of whom have come now from the private sector (these are generalisations) but what most people will say is that it is extremely difficult to manage major projects in government given the quality of skill that many line-managing civil servants have.
Lord Jones of Birmingham: The point I was saying is not true is that £79 billion of public money has been spent on abject failure. What is right is that not every private sector organisation or indeed every relationship between the public and private sector has produced the results that you and I would want.

Q352 Mr Prentice: Fair enough, can we leave that there. Just one final question from me to you, Lord Jones. Baroness Vadera is plastered all over the papers today and people are saying it was a big gaffe talking about "green shoots". You have been very critical of the Civil Service but on the other hand you have praised it. Were there instances over the past 18 months where your civil servants saved you, Digby Jones, from making a gaffe?
Lord Jones of Birmingham: Yes, often.

Q353 Mr Prentice: Would you like to tell us about it
Lord Jones of Birmingham: I had a Permanent Secretary, we called him the Chief Exec, Andrew Cahn, and many times he would come in and say, or usually because I was in another country he would be on the phone or on a text or something—

Q354 Mr Prentice: Yes, travelling.
Lord Jones of Birmingham: I am serious about that actually. He did not just say, "Well, I couldn't get hold of you," or, "You weren't around". He was very proactive in finding me in some embassy somewhere in the world. I am deadly serious because that to me was part of a good Civil Service and he did not just hide in his office. At times he would say, "You have left me a voicemail saying you are incensed about this and you are going to say this. That is probably not the right way of going about it. I am absolutely

with you in where you are trying to go and I am not going to persuade you not to say anything because that is not Digby, but how about using these words, not those words?" And usually it was to get me to have a little more temperate response to the same issue. May I say a good quality civil servant is worth his weight in gold in that respect. I feel sorry for Shriti this morning because this is a first-class operator. Her job is not the microphone, her job is not the news conference, her job, at which she excels is in other areas, rightly, horses for courses and because my job is often behind the microphone perhaps I can benefit from good quality advice from the Civil Service more than most.

Lord Birt: Can I say that I think it is a terrible indictment of our politics that such a modest slip should invite such disproportionate opprobrium.

Mr Prentice: I agree.

Q355 Chairman: The *Daily Mail* again.

Lord Birt: Quite of lot of papers carried the story this morning.

Chairman: We thought when we put this panel together that it would be both interesting and add considerable value to our proceedings, and it has proved to be so on both counts, and so we are extremely grateful for your time. Thank you very much indeed.

Thursday 26 February 2009

Members present

Dr Tony Wright, in the Chair

Mr David Burrowes	Julie Morgan
Paul Flynn	Mr Gordon Prentice
Kelvin Hopkins	Paul Rowen
Mr Ian Liddell-Grainger	Mr Charles Walker

Witness: **Rt Hon Liam Byrne MP,** Minister for the Cabinet Office, gave evidence.

Q356 Chairman: It is a great pleasure to welcome Liam Byrne, Minister for the Cabinet Office, to our Committee this morning. It is a particular pleasure because you are a minister who is genuinely interested in the kinds of things the Committee is interested, which has not always been the case with Cabinet Office ministers. We want to ask you some questions relevant to the conclusion of our inquiry which is rather grandly called "Good Government" and we also want to talk about leaks and whistleblowing which is another inquiry we have underway at the moment. I do not think you want to make a statement, do you?
Mr Byrne: Only really to applaud the Committee's timing; I do not think the premium on good government has ever been higher so I am very much looking forward to the Committee's conclusions.

Q357 Chairman: Your experience is varied and you have substantial private sector experience as well. We are trying to understand what the Government does well in this country and what it does not do well, and then to work out how it can do the not well bits better. What is your take on what we do well and what we do not do so well?
Mr Byrne: I think the Government has done well at delivering its big objectives.

Q358 Chairman: I am not talking about *the* Government.
Mr Byrne: Absolutely, but if you judge good government ultimately by the test of whether it achieves that which it sets out to achieve then actually I think the analysis is pretty good because the Government set out to substantially increase investment in public services which was a political mandate and I think public service investment has now been increased by about £170 billion since 1997. Most importantly for taxpayers there has been a substantial yield to that investment so education results have been transformed.

Q359 Chairman: I think I probably put the question badly; could I just try again? I know the Government has done all these splendid things—we all know that, with a few exceptions—but you have an interest in how organisations work, how they deliver what they are supposed to do. You have experienced a number of sectors and with you coming and thinking about how we do government in this country—the machinery of government—I am asking you what you think works well in terms of that machinery and what does not work so well.
Mr Byrne: I anticipated this debate and I thought about presenting my answer in this way, but I do think it is basically right. If you go back to when I studied political science at university the debate about the Thatcher years and the Major years—which is what we were studying—ultimately came down to the test as to whether government as a machine was capable of actually delivering on the objectives that were set for it. I do think it is important to underline the fact that actually when you are asking what government is good at, government is good today at achieving on its big objectives. That is quite a significant starting point and if you look at the investment that has been stepped up and the results that have been delivered on health, education and on crime, yes of course that is down to the dynamism of our political leadership in this country but it also does say something about the quality and integrity of the government machine, that it is able to step up the raising of money (that is a difficult set of policy conundrums to work through) but it has been successful in actually translating that increased collection of money into a series of outcomes that have resulted in a country that is richer and fairer. So I realise exactly what you are driving at in your question but I think the fundamental point to underline is that government has been good and is now good at delivering on its fundamental objectives. To add to that I would say that there have been clear signs that the government machine has proved good at the challenges of crisis management. If you look at our response to terrorist incidents or if you look at other civil contingency emergencies like foot and mouth or blue tongue but also if you look at the policy response and the response of the machine to the challenges of the downturn, what government has proved pretty adroit at—I mean the government machine as well as the value of our political leadership—is responding very, very rapidly with policy ingenuity and translated that into effective policy delivery. That, I think, would be the second major point that I would underline. So, delivering on big objectives over a sustained period of time; that is good. Somebody once said to me that there are different schools of public service reform, there is change that is driven by political leadership (we have had quite a lot of that), there are changes that are driven by new

ways of doing things (that is often a bit slower) and then there are changes driven in response to crises or things going wrong. That is an important point to hold onto; crisis driven change is an important driver of public service reform and actually I think one of the things that government does do well is respond well in a crisis. I think the response during the downturn has been the latest proof of that.

Q360 Chairman: Let me turn it on its head then and ask you what we do not do well. I do not mean a particular government; I mean the way we do government in this country. What do we not do well in your view?

Mr Byrne: I think there are three things here. The central Civil Service is still not good enough at driving rapidly the business of delivery. I think it is good; I think it is radically better than it was in 1997 but it still has a bit of distance to go. Secondly, I think that policy makers are not entrepreneurial or innovative enough. Again that is much better than it was but it could be much better than it is today. Thirdly, I still think that the centre of government is not good enough at joining together integrated policy delivery. The reason I picked those three points is with an eye on the next decade because over the next decade it is unlikely that public spending will grow at the same pace that it has grown over the last decade. What that does is to create a pretty strategic inflection point because it means that the only way that you can satisfy the ever increasing pace of public expectations is by doing things differently. You cannot put more and more money into solving a problem; that means you can only square that circle of rising expectations and flatter public spending growth through innovation and driving delivery and better integration of solutions. The public will simply expect a very different kind of public service delivery over the next 10 years. If you think about my kids' generation, my eight year old child types better than he can write; he spends more time on a computer than watching television—too much time on both!—but the normality of my children's generation is collaboration on-line, the ability to customise and tailor whatever they have in their lives into their individual outlook on life. If government is to deliver on that in public service reform then we have to become much more adroit at knitting together coalitions and partners around the individual or around the individual business or around the community. If you think about the great strategic challenge of the next 10 years, which is how you do more better but without the same kinds of levels of public spending increases, then innovation, driving delivery and better and more effective working together I think become the hallmarks and the real criteria of success.

Q361 Chairman: As we have been doing this inquiry we have heard from witnesses a series of repeated and familiar criticisms both about the political side of government and the administrative side of government. On the political side we have heard arguments that governments legislate too much, they should legislate less and better; legislation is poorly considered and often poorly prepared; far too many initiatives are produced which makes it difficult to know what is really important; probably far too many ministers chasing around the system. On the other side there has been an analysis that the Civil Service does not do performance management very well, it does not bring people with front line experience in, it does not do risk very well, it does not do innovation very well. What I am asking you really is whether you recognise these critiques—both the political ones and the administrative ones and whether you broadly assent to some.

Mr Byrne: Some. I am not sure I would agree with the too many initiatives, too much legislation and too many bills. I understand why that critique is there but I am not sure I agree with it. If you step back and look at what the impact has been of the sum total of those initiatives, you do see a country that is richer and fairer and you see pretty radical improvements in pretty significant areas like health, education and criminal justice. That was the mandate we were elected to deliver on. I am not sure, either, about too many ministers. I was doing a bit of thinking about this over the last couple of days and I guess I am slightly cursed by my own personal experience because at one point I had three ministerial jobs when I was a Treasury minister, a Home Office minister and a regional minister and at moments during that period I wished there were more ministers rather than less. When I was doing some maths on this last night, if you look at DWP now, for example, DWP's staff count is about 118,000 and so the number of people in that department per minister is 20,000. If you take health, as I was fond of saying when I was Health Minister, health is something like the world's 33rd biggest economy. It is bigger as an economy than Argentina and the budget per minister is something like £16.5 billion. I think that the scale of what government does these days does mean that you need ministers to manage it and to account for it to the public. The number of ministers is broadly right. However, I would recognise the critique around delivery which I would couple with performance management and innovation; I am sure joined-up government is something that other witnesses have also talked about.

Q362 Chairman: We shall come back to this but I want to ask you about what you are saying about Whitehall. On this general point, do you think that governments just over promise and therefore necessarily under-deliver? I was thinking about this this morning listening to a discussion about the pledge to cut teenage pregnancies by half. I thought to myself, "How are people like Liam Byrne going to go round ensuring that teenagers don't get pregnant?" Is it not the kind of promise that just brings discredit upon the whole political process? The promise can never be delivered in that form; the levers are not there so do we not invite difficulties?

Mr Byrne: I think I would disagree with that. Obviously politicians have got to set expectations in the right place. I found it quite interesting as quite a new politician and a politician who was elected in a

by-election four and bit years ago. I know what I say locally and I know how careful and precise I am locally so at the last election I was very clear about wanting to increase the number of neighbourhood police on the beat and I wanted three big health centres built and I wanted to get new investment in housing for local people. I was very, very precise about what I committed to do because I did want to be able to go back and say, "Actually against all of these things I've delivered". If you look at our own party and look at the pledge cards that we published at different elections, they were also pretty precise pledges. I do not think there is anything wrong with making commitments that you fully expect to deliver. I think that is what we get paid to go to work quite handsomely to do. I think you have to set goals and objectives.

Q363 Chairman: It is making pledges that are elusive to deliver and then being measured against them.
Mr Byrne: This is a really important political point because there is a risk right now in the times that we are in of politicians offering timidity and that is not what the public is in the market for.

Q364 Chairman: Do you not think if politicians said that governing is pretty tough actually but we are going to do our best, that might have more credibility with the public than making rather grandiose statements about what we are going to do and not achieving them—I do not mean this government, but any government—and then people just get fed up with politicians.
Mr Byrne: If you look at the big objectives that we have set overwhelmingly we have hit them on health and education.
Chairman: You are taking us back to the record now; I know that already. David Burrowes?

Q365 Mr Burrowes: I understand you like your cappuccinos and soup, and also you like your grid and your media grid and your media story. Is that part of your responsibility?
Mr Byrne: My basic job is making sure that the Government is joined up and coordinated across policy and communications.

Q366 Mr Burrowes: So communications is part of your responsibility.
Mr Byrne: Making sure that government is coordinated is part of my responsibility. I am not in charge of the Government's communications operation if that is where you are heading.

Q367 Mr Burrowes: Are you concerned about the story each week?
Mr Byrne: Not especially because it is the business of ministers and my ministerial colleagues to make sure that they are communicating effectively in what they do.

Q368 Mr Burrowes: In terms of your cross-departmental role is communications part of your brief?
Mr Byrne: It is quite hard to coordinate government's policy delivery without being concerned about the argument that we are trying to present and advance, but I am afraid that is not an exclusive responsibility of mine, that is a responsibility of the Cabinet.

Q369 Mr Burrowes: Perception is up there as much as performance in terms of driving across departments the delivery message as much as the delivery performance.
Mr Byrne: Sorry, I did not quite understand that.

Q370 Mr Burrowes: Are you concerned about what the perception is out there in terms of the message that is getting out there from departments?
Mr Byrne: Only as concerned as any other minister.

Q371 Mr Burrowes: The way you have taken on the role you have not seen the communications side as a key cross-departmental role that you should have.
Mr Byrne: I do not think you can make a contribution to coordinating the work of government and ignore communications.

Q372 Mr Burrowes: In terms of the media, in terms of what was going into the media, what is your role in terms of the issue of leaks?
Mr Byrne: I do not think I can claim any role in that. Do you mean the behaviour of civil servants?

Q373 Mr Burrowes: In terms of seeing out there in the media a number of leaks emanating. Do you have any responsibility or concern from your office as to how this is happening?
Mr Byrne: No more than any other minister.

Q374 Mr Burrowes: So from your office there is no involvement that you would directly have in terms of any inquiries in relation to this.
Mr Byrne: No, not me personally but obviously the Cabinet Office is also home to the Cabinet Secretary who is pretty concerned about the Civil Service codes and so on being upheld and is ultimately responsible for that code being upheld.

Q375 Mr Burrowes: Do you have any take on the issue of authorised and unauthorised leaks and what the state of play is in terms of the number of leaks that are out there, authorised and unauthorised?
Mr Byrne: Sorry, again I do not quite understand what you are asking.

Q376 Mr Burrowes: Do you have any responsibility or involvement to change the state of play in terms of the numbers of authorised leaks happening?
Mr Byrne: No more than any other minister.

Q377 Mr Burrowes: In terms of unauthorised leaks?
Mr Byrne: Again, no more than any other minister.

Q378 Chairman: We are looking at the whole leaks issue and we have had evidence from the FDA who say that the source of leaking is overwhelmingly political and that is corrosive of the system. I think

what David wants to know is, if that is the case, are you the person to do something about it? If not you, who is?
Mr Byrne: The person who?

Q379 Chairman: If that is the problem, is it part of your job to sort it out?
Mr Byrne: No, I think that is a collective responsibility on government. It is something that is enshrined for civil servants in the Civil Service code and for ministers in the Ministerial Code. I think the Prime Minister has been very clear and has said this on a number of occasions, that the primacy of Parliament needs to be upheld. I am interested in this question and I have been through the number of statements, for example, that ministers and prime ministers have made to the House. What you see, if you can be bothered to add it up as I have, is that there have been something like 114 oral statements since the end of June 1997. Gordon Brown on average has made a statement to the House every 11 days; Tony Blair made a statement to the House on average every 19 days; Margaret Thatcher made an oral statement to the House every 24 days. So you can see that frequency of prime ministers coming to the House and presenting arguments and statements about public policy has really dramatically changed over the last 20 years.

Q380 Chairman: Do you have an equivalent list of political leaks for those respective periods, have you?
Mr Byrne: I have not added that up.

Q381 Mr Burrowes: Do you not think that is an issue for the Cabinet Office in terms of the numbers of political leaks?
Mr Byrne: No. You are making a serious point and I do not think that any one department should have this parcelled off to it or any one minister should have this parcelled off to them in their responsibility. That has to be a collective responsibility on members of the Government.

Q382 Mr Burrowes: So where does the leadership and guidance come from?
Mr Byrne: From the Prime Minister.

Q383 Mr Burrowes: Is it coming?
Mr Byrne: Absolutely.

Q384 Mr Burrowes: Are we seeing guidance on it?
Mr Byrne: I think it is a political task so I do not think it is something that you necessarily need a whole load of red tape around.

Q385 Mr Burrowes: How is that leadership shown in terms of communicating across departments?
Mr Byrne: Through the Prime Minister talking to members of his Cabinet and making it very clear.

Q386 Julie Morgan: I want to come back to what you said when you said you thought that the number of ministers was about right.
Mr Byrne: Yes.

Q387 Julie Morgan: Going back to some of the comments that some witnesses have made to us in particular Digby Jones told us that being a minister was a "dehumanising and depersonalising experience". You think that the number of ministers is right, but what about what the experience of the ministers and what they actually do?
Mr Byrne: The reason that you come into politics is because you want to make a difference to your country. Digby made a huge contribution to this country before he came into politics and I think he made a huge contribution while he was a member of the Government. Digby and I share a lot of instincts because we both had careers in politics and we are also from the same city. My experience of being a minister has been that it is an extremely demanding job but it is an extremely fulfilling job because you do get to make a contribution to the direction that this country is heading in.

Q388 Julie Morgan: So you think junior ministers are able to make contribution.
Mr Byrne: Yes, absolutely. Let me talk from personal experience because that is probably easiest. If you look at the work that I was able to do together with two home secretaries at the Home Office overhauling the immigration system, we delivered together the biggest shake up in the immigration system since 1945. We created the UK Border Agency; we brought together three different parts of government into a £2 billion agency with 25,000 staff in 134 countries; radically overhauled border security and introduced a points system like the one in Australia. By any account that is a quite substantial area of policy reform and that is something I was able to do supported by two home secretaries and in partnership with two home secretaries as a minister of state. If you look at the experience that I had as a social care minister in the Department of Health when I was a parliamentary under-secretary, we not only put dignity in care on the map but we also put in place individual budgets, one of the most radical reforms of the social care system and, in years to come, the health system that we have seen for many, many years. I think it is perfectly possible for junior ministers to have a huge impact on the direction of the Government and the country.

Q389 Julie Morgan: I understand it is a team of ministers doing that.
Mr Byrne: Yes, but my personal experience was taking personal leadership of those agendas and driving them through the departments with the support of secretaries of state and in partnership with secretaries of state.

Q390 Julie Morgan: Why do you think that Digby felt like that?
Mr Byrne: I do not know.

Q391 Julie Morgan: You cannot imagine what he meant?

Mr Byrne: When he talked about being dehumanised and depersonalised?

Q392 Julie Morgan: Yes.
Mr Byrne: No. I have not talked to Digby about it.

Q393 Julie Morgan: That is nothing you can relate to at all.
Mr Byrne: No. I should talk to Digby about it and give him a bit of counselling.

Q394 Chairman: He gave this searing indictment of the Civil Service too. You say you are sort of bedfellows, is that your view?
Mr Byrne: Was Digby really expressing a different sentiment to me?

Q395 Mr Walker: I hope he was.
Mr Byrne: I think Digby was frustrated by some of the challenges that I have highlighted around delivery and innovation.

Q396 Chairman: Does frustrated by challenges mean that you agree with him?
Mr Byrne: I think I might differ from Digby in my analysis of how profound those challenges are and the possibility of remedy. In terms of agenda items I suspect—again I have not talked to Digby about it—that Digby would also underline that delivery and innovation and the ability to join up are amongst the key challenges for government reform over the next decade. Again I have not spoken to Digby about it and I cannot speak for him about it. I obviously should; his mum was one of my constituents.

Q397 Mr Prentice: Digby was not a member of the Labour Party; should all ministers in a labour government be members of the Labour Party?
Mr Byrne: I would not insist on it because I think at moments of profound challenge to the country, as we are experiencing now, there is an enormous amount to be said for drawing on the best talents available.

Q398 Mr Prentice: The best talents; of course he was a GOAT. He wants to see more independent ministers brought into the Government because presumably that is where the expertise lies. Do you want to see more GOATs in the Government?
Mr Byrne: I do not think that you can take an a fortiori position on this. What prime ministers have to do is look at the challenges in hand and build a team that they think are best equipped to deal with it. That, I think, is what Gordon has done. There will be talents out there that you want to scout for and headhunt and bring into the Government because there are particular challenges that you have that require some specialist skills. For example, Mervyn Davies or Baroness Vadera or Paul Myners all have brilliant, phenomenal skills and at a time when government is having to re-build the banking system those skills are quite helpful.

Q399 Mr Prentice: So the talent pool in the House of Commons is relatively shallow. Is that what you are saying?
Mr Byrne: No, I would not agree with that.

Q400 Mr Prentice: In order to get the expertise we have to go outside.
Mr Byrne: No, I would not agree with that analysis for a moment. I guess I speak as someone who decided to quit a career in business and go into front line politics. That is a decision I have never regretted. I have been a member of our party since the age of 15 so I guess it is always something I had in the back of my mind. I just think that sometimes governments confront situations that require very, very rapid assembly of sometimes quite specialist skills and obviously our own pool in the House of Commons is only refreshed in a big way at general elections and sometimes crises and great challenges loom without adhering to an electoral timetable. So you do need a bit of flexibility I think.

Q401 Mr Prentice: I think a lot of people were quite shocked that the chief executives of HBOS and the RBS did not have a banking qualification. Do you think it is a disadvantage that so many politicians do not bring specific expertise into the jobs that they are appointed to do by the Prime Minister, for example having a health secretary who is a doctor?
Mr Byrne: I think there are two points to this. Firstly, I think members of the Commons bring an incredible range of expertise from outside from their previous careers and previous experiences. Secondly, we are just much closer to the people that government is supposed to serve than civil servants ever can be. I went into politics because I was frustrated about the direction of Birmingham and if you look at east Birmingham you have four out of the top five highest unemployment constituencies. You have an employment rate in my constituency that has dropped by about 11 points over the last decade. I did not want to moan about it; I wanted to do something about it. That is why I spend 25% of my working week in my constituency driving a programme that we have created for Hodge Hill 2020 which is about the rejuvenation and regeneration of my particular part of east Birmingham. That involves intensive work with the people that I serve in Hodge Hill, working out their priorities but it also means an enormous amount of work bringing together the constellation of agencies that are required to get anything done on east Birmingham. I have learned more about the challenges of government delivery from that work locally than I have ever learned in Whitehall and the urgency and insight that I bring to my job is borne in my constituency. If you have government leadership without that then government would lack both urgency and insight.

Q402 Mr Prentice: You sit in at cabinet meetings but you are not a member of the cabinet. Is that right?
Mr Byrne: Yes, that is right.

Q403 Mr Prentice: How many full cabinet ministers are there?
Mr Byrne: It is set out in legislation; I would have to check it. I think it is about 20 or 21.

Q404 Mr Prentice: You were a management consultant. I am not asking you to tell tales out of school, but as a management consultant—that is your expertise—observing discussions at cabinet (who contributes, how often they contribute, the nature of the contributions, how the Prime Minister pulls it all together) is it an effective body at deciding the central objectives and direction of the government?
Mr Byrne: I have been very lucky in my career in that I spent a short period of time as a management consultant, I spent some time as a banker but I spent the bulk of my career starting to build a business from scratch. When you start a dotcom with two of you and grow it to be a successful business you do know the value in the modern economy and in modern society of building and providing leadership through collective leadership. I think the Cabinet does a superb job of that. That is just my observation based on 14 years in business.

Q405 Mr Prentice: Fair enough.
Mr Byrne: You maybe would not expect me to say anything else.

Q406 Mr Walker: Minister, you are both clever and thin so you are nothing like Digby Jones, so you do not need worry about drawing any comparisons there.
Mr Byrne: And bald; Digby has a full head of hair.

Q407 Mr Walker: We did have Digby Jones before us which I found a very distressing evidence session for a variety of reasons. He said there were way too many civil servants and he was very dismissive of civil servants and said that the job could be done with 50% less. Bearing in mind that he was only a minister for 14 months it is difficult to see what contribution he could possibly have made to public life in 14 months. How on earth is he in a position after 14 months—a fairly ineffective 14 months that he admitted to—to decide that the job of running this country could be done with 50% less civil servants? Do you agree with him?
Mr Byrne: No.

Q408 Mr Walker: Why do you think he came to that conclusion? Do you think it was just a bit of grandstanding? We all like grandstanding; I do it all the time.
Mr Byrne: I do not know.

Q409 Mr Walker: Do you think it was a helpful intervention? It got a lot of coverage in the national newspapers. Do you think it was a loyal intervention?
Mr Byrne: In what way loyal?

Q410 Mr Walker: I do not think it was a loyal intervention.
Mr Byrne: Loyal to whom?

Q411 Mr Walker: I do not think he was loyal to Gordon Brown. I do not think he has been loyal to Gordon Brown. I do not think he would show any loyalty to the people who probably had to tolerate him for the 14 months that he was a minister. There seems to be no comprehension from Lord Jones that perhaps the problem resided with him and that when he went to civil servants they said, "My god, who is this man that we've had foisted upon us; let's just try to manage him out of the door". Is there any possibility that Digby Jones was a mistake, that the Prime Minister, in trying to build the government of the talents, actually put someone in there who perhaps was not that talented?
Mr Byrne: I think you are being enormously unfair.
Mr Walker: I am enjoying myself.
Chairman: Perhaps I ought to remind the Committee that we are not doing an inquiry into Digby Jones.

Q412 Mr Walker: He did make some incredibly sweeping statements about the Civil Service.
Mr Byrne: He did, but I am not here to comment on Digby Jones. I have known Digby for some years. He was the director general of the CBI when I was a member of the CBI and I thought he was an enormously effective leader of the CBI. I think he undersold himself. He was an enormously effective minister. He loves this country and he wants this country to be better in the future. He, too, wanted to get his hands dirty in that great effort. Three cheers to him.

Q413 Mr Walker: Why three cheers? What did he do for this country that we need to give him three cheers for, besides get a peerage and he is going to be a burden now on the taxpayer for the next 40 years if he claims his allowances?
Mr Byrne: He has a distinguished track record of leadership in the business community. He was an enormously effective advocate for the business community while he was at the CBI and while he was in government. The work that he did as a trade minister—again I am not here to answer an inquiry into Digby Jones—from what I heard from our embassies around the world when I was the immigration minister travelling to different countries and from the business community, they thought he did a good job.

Q414 Mr Walker: Let us talk about the Civil Service because that is what I am really interested in. I still think the Civil Service of this country does a pretty excellent job; I think we are lucky to have it. What can be done in your view to make the Civil Service even better than it currently is? What constructive measures could we take? I know that is a huge question and you have just minutes to answer it, but if you were Prime Minister what would you like to do?
Mr Byrne: Let me go back to the analysis that I gave the Chairman a few moments ago. I think the big challenges for the next decade are around delivery and innovation and around the way in which you join up government. There are number of things you can do under each of those headings. Let me say a word about the detail under each, then there is something you have to do to government reform and government performance management as a whole in

order to create an environment in which all three of those issues are resolved more effectively in the years to come. One of the great things that Gus has done in the Civil Service is to introduce the capability reviews. Capability reviews are good, they put performance management on the map, they are well established now across Whitehall, but there are a couple of changes that I think we need to make to capability reviews in the months ahead. First, we have to better knit together the picture of departmental performance. We have to build that sort of jigsaw with a better clarity; we have to put together the pieces more effectively. One of the pieces of work that we are doing in the Cabinet Office now is just looking at how we bring together, for example, performance on public service agreements, performance on value for money and the operational efficiency programme work that the Treasury commissioned and how we then change capability reviews so there is a much better accent and a much greater premium on the innovative capacity of departments and the adroitness with which departments join up with other colleagues. I think that that will create a different kind of performance management regime for the future of the Civil Service and I am grateful that Sir Michael Bichard is advising Gus and I on how we can make some of those changes in the months ahead. When it comes to delivery though I just do not think there is any substitute for people at very senior levels in the Civil Service having much more delivery strength and capability. If you look at some of the work that I did together with Lin Homer (who is an outstanding public servant at the UK Border Agency) we very deliberately strengthened the number of people at senior levels of that organisation who had front line delivery experience. Sometimes in Whitehall you run into one of the greatest myths which is that you can somehow separate the business of policy and delivery. In all of my experience that is total nonsense. You cannot formulate policy unless you understand delivery and you cannot get delivery right unless you understand policy. That is why the business of government is a bit unique. At the moment we are still bringing into senior levels of the Civil Service a lot of people from outside rather than bringing up more people from the bottom with the right kind of delivery skills. That has been a challenge that has been identified but it has to change. On the innovation side we have to now drive quite a different culture in the business of government from the kind of 1950s notion of consultation to a much more 20th century version of conversation and collaboration. What that does is to put senior civil servants much, much closer to the families, the people, the communities and the businesses that they serve. Part of the reason that politicians bring such value to business administration is that we do spend 20 to 25%—if not more—of our year or our working week with the people that we came into this business to serve. If you look at any fabulous organisation that is brilliant at new product development or new policy development, they have one thing in common which is that there is no gap between them and the people that they serve. In order to drive a more innovative Civil Service in the future we have to shift from consultation to conversation and collaboration. Joining up delivery remains a constant challenge, but now it is much easier, it is more common and it is more accepted. What we have to do there is drive a very clear message from the top that this is business as usual and that is why we are putting much greater accent on corporate working and joined up delivery. The capability reviews allow us to send a very clear signal from the top. There is one further thing that we have to do which is that once we have got this new jigsaw in place we have to link it to two things. First we have to link it much more directly to permanent secretary appraisal and, second, we have to link it to the way in which the senior Civil Service is rewarded and developed through the re-organisation of organisations like the National School of Government. I realise this is quite a big agenda but it is why a month or so ago I said that I do think Whitehall reform is unfinished business and some quite big changes need to be put in hand now patiently, carefully, assiduously because the big challenge for the next 10 years is how you do more without big increases in public spending.

Q415 Mr Walker: You have to do all that while retaining a culture of public service, while managing people's career expectations and retaining morale so that people do not feel that they come into the Civil Service to perform a career and then they see people being brought in from the private sector and going over their heads. The third point, which I think you touched on, is that the public simply will not wear private sector salaries being imported into the public sector. You can see there is already a push back against that at the moment. There is an upper limit of about £250,000, beyond which people start getting very, very nervous. Would you see those as challenges?

Mr Byrne: I am a bit biased on this because I have members of my family who are civil servants. My perspective on this is almost entirely shaped by the work that I do on staff engagement. When I went to the UK Border Agency I spent about six months of my time on the road, I probably met a couple of thousand front line staff over quite a short period of time. I have taken that approach to the Cabinet Office. What is great and what is inspiring is to be able to sit back and we do have some absolutely fantastic people who are young and who have come into the Civil Service because they too love this country and want to make a difference to it. They have a myriad of choices in front of them as to how they can go and make the world a better place. They have what I did not necessarily have when I left university, but these are individuals who have gone into the Civil Service because they do want to make a difference and they do think that they can make that difference to the Civil Service. In my experience what they want is much more latitude to be able to make an impact so they are much more interested in delivery jobs in the future. The agenda that Gus set out a year or two ago about skills for government and the need to apply specialist skills, in my

experience, is really enthusiastically welcomed by junior members of the Civil Service because they too want to go and get their hands dirty to make a difference, and they too passionately believe that policy making in this country would be different and better and stronger for having delivery experience right at the heart of it. There is an inspiring generation of civil servants that are coming up through the ranks at the moment and we have to harness that energy, passion, enthusiasm and brainpower.

Q416 Chairman: Can I just ask one final Digby Jones question? He wanted to take a sort of slash and burn approach to the Civil Service; he wanted to cut it in half. You are a Civil Service cutter; you want a much smaller centre. In your speeches you say you are very pleased that we now have, as you say, the smallest Civil Service since the Second World War.
Mr Byrne: Nearly.

Q417 Chairman: You did not say "nearly" in your speech. Cutting the Civil Service by 86,700 and then future cuts in further years. Does your view of this strategic smaller centre mean a radically reduced size of the Civil Service?
Mr Byrne: Six months ago I would have said yes and what I would say today is probably. The only reason for the note of hesitation now is because there is such a huge policy and delivery agenda that has now swung into place to fight the downturn that I do not think we are yet crystal clear about what the consequences will be for the Civil Service workforce. An obvious example is that if we want to dramatically step up the support that Jobcentre Plus provides on the front line then we are probably in the business of hiring civil servants to those roles. I think what is quite interesting—you hinted at this in your question—is that we probably have to look at the balance of civil servants in front line delivery jobs like the Jobcentre and the balance of jobs at the centre. There are departments like the Treasury, for example, that actually need to strengthen and probably increase their policy resource at the moment because they are having to undertake some pretty complicated stuff and then get it delivered. I do not think we have that picture clarified yet but over the next three or four months we have to. There is, however, an extraordinarily important philosophical question behind the question that you pose which is that we cannot go into this next period of 18 months and say, "Look, we're going to pick up new burdens by building new bureaucracies"; we have to recognise that in the 21st century it is quite possible to have strong government without having big government. Translating that rhetoric into reality is going to take a bit more patient work over the next couple of months and we have to look at the balance between the front line and the centre. Instinctively I believe it is possible to do more and to pick up new burdens without building new bureaucracies at the centre. We have to construct a future in which it is possible for government to be stronger and do more, particularly at times like now, without simply building a bigger bureaucracy in Whitehall.

Q418 Chairman: The Digby Jones point about cutting the Civil Service in half was nonsense, was it not?
Mr Byrne: I do not think you can cut the Civil Service in half, no.

Q419 Chairman: You are talking about not increasing but originally you were talking about substantially reducing. What I was not clear about was whether you were simply saying that the centre—Whitehall, which really is tiny in terms of the totality of Civil Service numbers—can be culled because it is going to be more strategic or whether you were talking about the whole run of civil servants being reduced.
Mr Byrne: Instinctively I think that Whitehall can be smaller. Where I am hesitating today is in the total Civil Service numbers because I just think that over the next two or three months we have more work to do in understanding how we drive delivery of the policy that we have in place over the last five or six months. The obvious example is Jobcentre Plus. The reason I say that I think Whitehall can be shrunk and become more strategic is because of the pace of front line reform now. If you took, for example, the reforms that Jacqui Smith is making to policing right now there is a whole host of targets and red tape which is just going out of the window with the goal of replacing with just one target of public satisfaction. If you take foundation hospitals which have much greater freedom and flexibility—for example to keep and reinvest surpluses—the number of foundation hospitals has increased by 50% since June 2007. Half of all acute and mental health trusts are now foundation hospitals. If you take academies again there is much greater flexibility to manage their own business. There are 130 already open and there are something like 180 projected to open over the next year and a half. If you look at local government the new multi-area agreements and local area agreements give much greater flexibility for local authorities and their partners to put together their own priorities and manage their own business. Although this has been a quiet revolution, over the last 18 months there has been a huge acceleration in pace in giving front line institutions the flexibilities and freedoms that deliver public services in the way that they see fit. The consequence of that I do think has to be a smaller and strategic centre at Whitehall. That is complicated at this moment because of the work that we have in hand to fight the downturn.

Q420 Kelvin Hopkins: I have to say that I have read your speech that you made at St Albans recently twice, all the way through and I find it very difficult to understand, but then I am a very simple chap. People are looking at government as having failed massively because they are about to lose—or have lost already—their jobs, some are losing their homes and there has been a catastrophic mistake in

economic policy, specifically in Britain but across the world as well. Yet at the same time you are making optimistic noises about government. Did anybody see this coming? Did anybody inside the Treasury—and you were there—say, "Minister, there's a real problem"?

Mr Byrne: No, I do not think the effectiveness of international regulatory systems allowed us to understand what domestic banks were doing in foreign markets. If you look at the huge structural role of foreign banks in the UK markets I do not think that international regulatory regimes allowed us to see what they were doing at home and therefore we were not able to see what risks people were taking. What is now clear is that the boards of those banks did not see what risks they were taking. This is something that Gordon Brown has championed since 1999 and we were not able to persuade international leaders to get in place that international regulatory regime; hopefully now people will pay a bit more attention to that argument.

Q421 Kelvin Hopkins: Surely Britain was leading the way in deregulation. We are the ultimate free marketeers and some of the European governments were much more restrained about all this.

Mr Byrne: The noises in the debate, if anything, were encouraging the Government to be even more laissez-faire in the way we approached regulation. We have to be absolutely clear because if we do not get the analysis right we will not get the prescription right. The global downturn of today is the worst since 1945; its origin was in markets abroad. What government has done now is put in place three very careful steps, first to save the banks (because if they have gone down they have taken our bank accounts, mortgages and business loans with them), the second is to put real help on the table now for business—

Q422 Kelvin Hopkins: I know what we are going to do, what I want to know is how we got there. Building an economy where demand is driven essentially by a housing bubble and a mountain of credit is going to crash. I was writing this some years ago, and one or two other people of a similar view were saying this, but this was completely ignored. Was no-one in Whitehall, in the Treasury, saying this? If it was not, that surely was a failure of government and it was certainly not good government.

Mr Byrne: I think the chief secretary has been very clear that this crisis was impossible to see coming because international regulatory regimes simply did not give us the transparency into what these financial institutions were doing abroad. When you saw the assets they were holding dramatically collapse in value that did produce a series of consequences in financial markets that resulted in the credit crunch. That analysis is set out very clearly by the Prime Minister in the *Road to the G20* document that we published last week. That is 120 pages of analysis of the current downturn.

Q423 Kelvin Hopkins: Would it not have been a good idea to have had a range of views about how we manage the economy inside the Treasury and have had a debate? It seems to me, as an outsider, that nobody was saying this inside the Treasury or inside government.

Mr Byrne: I think Gordon Brown was saying it as Chancellor. From 1999 onwards Gordon was underlining the risks of the lack of ability to see into what financial institutions were doing around the world. We had an early warning of this with the Asian crisis some years ago and again we spoke out then for the need for better international financial regulation.

Q424 Kelvin Hopkins: It is only 18 months ago and it was on television at the weekend where the Prime Minister was making a speech at the Guildhall saying he thought the bankers were doing a great job, and we were not going to regulate them and it was all going ahead as he wished.

Mr Byrne: That is a slight mischaracterisation.

Q425 Kelvin Hopkins: I am a simple chap and I see this as a simple—

Mr Byrne: There is a difference between a simple analysis and a mischaracterisation.

Chairman: Kelvin, can I just say that we are not the Treasury Committee, alas.

Q426 Kelvin Hopkins: I will move on then. One of your themes has been that community action at the local level is the way forward. Birmingham is a centre of motor manufacturing which is suffering terribly at the moment from macro-economic problems which are national and international. Community action at the local level is not going to solve their problems, is it?

Mr Byrne: The response to the downturn has to be international, national and local. The three steps we have taken have to operate at international, national and local level. That is why, to set that out with clarity, the Government is publishing regional real help now plans which explain exactly what kind of things are happening at what kind of level. At the international level we have to achieve an international consensus about no reversion to protectionism, about fiscal stimulus around the world and international financial regulation reform. That is something that is best achieved at an international level and that is our agenda for the G20 conference in April. At a national level, monetary policy and fiscal policy have to come together in a combined boost. At local level there has to be substantial capital investment in schools, in roads, in infrastructure so that actually we come through this downturn stronger and faster and that communities remain together. There are different things that must operate at different levels.

Q427 Kelvin Hopkins: You mentioned the Asian crisis, but the one country that did impose a degree of protectionism, it imposed exchange controls and devalued and successfully came out of it very

quickly, was Malaysia. They defied advice of the IMF and indulged in what would now be called protectionism. They did extremely well out of that.
Mr Byrne: What is the GDP per capita of Malaysia?
Kelvin Hopkins: What I am asking is whether anybody is questioning the direction of travel of economic policy?
Chairman: Kelvin's point is the need for a diversity of voices within government so we are not caught unprepared for things that happen. Paul Flynn, did you want to come in?

Q428 Paul Flynn: I read your speech with enjoyment. It is stimulating but I had difficulty identifying the language. I can see it as a language that is derived from English but it is not really the English that we know and love. It appears to be written for a year zero of a labour government as well rather than the position we are in. "Freeing every police force from the bureaucracy of all targets bar one; the confidence of the public they serve". That is one of the claims of this brave new world. We put those targets on the police we have decided now the only target to measure is "the confidence of the public they serve". How do we measure "the confidence of the public they serve" when the opinion of the public is conditioned by what they read in the papers rather than the truth of what the achievements of the police are?
Mr Byrne: I do not agree with that.

Q429 Paul Flynn: I will give you an example. In my area crime has gone down by 20%, violent crime has gone down by 20%, burglary has gone down by 35%, car crime has gone down by 20%, yet the perception of the person on the street—the tabloid reader—is that crime has increased. How are you going to measure that and decide that is the only criteria you need?
Mr Byrne: By separating the national and local picture of satisfaction. I am not an expert in the way that this objective and this target are going to be put together, but I know in my own area where crime is also down very dramatically thanks to neighbourhood policing, when the West Midlands Police study local satisfaction—how the police were doing locally—there is a dramatically better picture than if you ask a question: "How do you think crime is going in the UK?" I think what we have to judge police forces on is public satisfaction with policing in their area. Although I love West Midlands Police I could not hold them to account for how people thought crime was heading in the whole country, but I could judge them for how they were delivering on the streets of Saltley.

Q430 Paul Flynn: To its great credit this Government has introduced the Statistics Bill which has established for the first time ever an independent body that provides the objective evidence on all statistics and the first thing that certain parts of the Government did was to try to spin the figures again. Quite rightly they have been criticised by Sir Michael Scholar of the Statistics Authority. Does this not fill you with despair, creating figures that can be judged to be objective?
Mr Byrne: I think it is to our great credit that we have introduced the Independent Statistics Authority and some quite significant changes have gone alongside with that, for example around access that you get to statistics. There was not a month or a quarter that went by when I did not regret that as an immigration minister looking forward to the immigration statistics that I was not able to see until the day before or the morning (I cannot remember which). The introduction of the new Statistics Authority is such a big change that there are going to be the odd teething problems. The example that you allude to is an example of that. I know Kevin Brennan has written to the Committee about it and maybe he is planning to write further. Building confidence in statistics will be hard work. That is not something that is a problem exclusively owned by government; that is something that is more generally true. It comes back to some quite profound themes in the way the public thinks about risk. If I could just pick up one thing that you mentioned at the beginning of your question about it being the Government that introduced all these targets and now you are saying they are being taken away, this is an absolutely key point in the public service reform debate over the next 10 years because actually, when we came into office in 1997, in order to drive the performance of services from, in many places, poor to good/adequate some pretty strong, robust, top down performance management was needed for the whole system to move from good/adequate to excellent across the board. You cannot beat that from the centre, can you? The only way in which you can deliver that is by beginning to let go.

Q431 Paul Flynn: You have some very interesting things to say about the effect of YouTube, Wikepedia and others and the extraordinary results involving millions of people from a small workforce in the centre somewhere. How do you see that working in government? I am not clear from your speech what the implications are.
Mr Byrne: As a prolific blogger yourself you will have your own take on this. I think there are two big opportunities. The first is in the way that policy is created and shaped. If you look at Facebook it has something like 100 million users now and there is a creation of new media that takes place which means it is on Facebook in a completely new way. If you look at enormously significant new products like Linux, that was actually created by a process of mass collaboration of software programmers around the world. My question is: how do you begin to make and shape evidence based policy in a way that really draws together the experiences, views and ideas of people that are not just dispersed across the UK but potentially around the world? Policy development is one question. Secondly, what about service delivery? I recently visited quite an exciting project in Leamington where young men who were not in education or training were being brought into an art gallery and being taught engagement skills but also

real skills around the development of new media. It is quite possible for us to begin developing and delivering those kinds of services by bringing together organisations not just around the UK but around the world. I think there will be ways in which we can harness digital technology to develop policy in the future and develop innovative ways of service delivery in the future.

Q432 Paul Flynn: Do you really see a chance for evidence based policies when we know that all governments are addicted to getting a drip feed of adulation from the tabloid press every day and policies will be aimed to bring in a harvest of votes eventually?
Mr Byrne: I am surprised that you say this.

Q433 Paul Flynn: The drugs policy, for a start, is to send out a signal to the country that heroin and cocaine are no more dangerous than ecstasy or magic mushrooms because they are all from the same category. These are decisions taken recently. That is irrational, it is untrue and it is a dangerous policy to send out, but it is popular with the *Daily Mail*.
Mr Byrne: I think you are wrong about the ecstasy policy.

Q434 Paul Flynn: Do you think ecstasy is as dangerous as heroin? Are magic mushrooms as dangerous heroin or cocaine?
Mr Byrne: I think ecstasy is a random, dangerous killer.

Q435 Paul Flynn: There are three classifications, should it be classification A like heroin and cocaine or classification C?
Mr Byrne: I am not an expert.
Chairman: Again, I think magic mushrooms are not our territory.

Q436 Paul Flynn: Can I ask whether the Welfare Bill is designed on experience or whether it is designed to grab a few favourable headlines. Are you happy with that Bill?
Mr Byrne: I am surprised at your line of inquiry because you, amongst many of our colleagues, are a more adroit user of new media than, for example, I am and the idea that you somehow tailor policy to specific media titles is a bit of an old fashioned way of looking at policy delivery and reform. If you look, for example, at the media market I think that the mainstream newspapers now sell something like 22 million copies fewer than they did in 1997. If you look at the audience of the main news channels, their audience has collapsed. That means if you are a government communicator that digital media and regional media and *Metro* and freesheets have a vastly greater significance than they had before. I just think that that hardwired link between policy and certain newspapers is a link that is not there any more. The media environment is so much more complicated today that that link has just dissolved.

Q437 Chairman: You are not suggesting that there has not been a link between the public policy of the *Daily Mail* over the last 10 years or so, are you? Just read the memoirs.
Mr Byrne: I am talking about the future.

Q438 Paul Flynn: I am not going to ask you any more Digby Jones questions but I would like to ask you your opinion of Chris Mullin who went to Tony Blair and said, "I want to leave the Government because I want to have more influence which I will have on the back benches". He has written a very revealing book on his experiences in government. He calls his department the Department for Folding Deckchairs. He did find the whole thing a depersonalising and dehumanising experience and he gave it up. You gave us the figure of £16 billion as the spending of a health minister, have you got an equivalent figure for a minister in the Wales Office or the Scotland Office?
Mr Byrne: No, but I can certainly rustle one up for you.

Q439 Paul Flynn: The picture we have of junior ministers is that they are rather aimless souls who were sent to meetings that nobody else wanted to go to.
Mr Byrne: I profoundly disagree with that.

Q440 Paul Flynn: People have been scratching their heads trying to find them something to do to keep them occupied. That is a pretty bleak picture that we have had.
Mr Byrne: I think that is a ridiculous portrayal.

Q441 Paul Flynn: It is come through from eminent former ministers.
Mr Byrne: That is not my experience.

Q442 Chairman: Surely your argument about a smaller centre should apply to the political centre too.
Mr Byrne: No, absolutely not. If you look at the way in which policy is going to be delivered in the future, I think that it will be more important and there will be a bigger role for ministers to actually ensure that delivery focussed innovation and joined-up working are actually happening in practice. If I could just take the example of regional ministers, Stephen Hughes, the Chief Executive of Birmingham who I was having an argument with a couple weeks ago, said something very interesting about public service spend in Birmingham. They reckon roughly that public spending in Birmingham is about £7.2 billion. That is an enormous amount of money. Sir Michael Bichard was telling me that Cumbria has done something very similar. There is a risk if you devolve power down through delivery chains—down through schools, down through health, down through the learning and skills councils, down through colleges, down through local authorities, down through the police—actually you do have to make sure that there is a visible hand that is able to join those things up. Local politicians will of course take an important role in that, but Westminster

politicians will take an important role in that in the future. During my time as regional minister of the West Midlands we identified four priorities around skills, science, transport and trade. You cannot transform skills, science, transport and trade in the West Midlands without joining up eight or nine different agencies. I think, as the centre gets smaller and more strategic, that the job of work of ministers may change but it will remain as challenging as it is today but in a different way.

Q443 Chairman: That is an interesting analysis. So we can have even more ministers because there is all this joining up to do. On this analysis there is clearly infinite work for the politicians.
Mr Byrne: I think the job of work of ministers will change over the next decade.

Q444 Chairman: This is an interesting proposition: more ministers and fewer civil servants.
Mr Byrne: The same number of ministers; I am not proposing you radically increase them.

Q445 Paul Flynn: This is a splendid document. There are elements of manic optimism: "Standards cannot be a gamble. They must be a guarantee". You talk very much along the lines of the 1997 New Labour vision of setting these bold targets. Experience has shown us that the targets are more often measures of failure rather than measures of success. What is the magic formula you are going to have to make sure that standards are not a gamble, they are a guarantee? They have not been in the past.
Mr Byrne: I think that is wrong as well; I do not think the evidence bears that out. If you look at the big targets, for example, in health we had a profound political difference with the Conservatives and with the Liberal Democrats in that actually we do not think we should write the medical profession a cheque for £100 billion and say, "Have a good time". We say, "We expect you to deliver on certain standards", including making sure that waiting is no longer than 18 weeks or making sure that people suffering from cancer get a diagnosis within a couple of weeks.

Q446 Paul Flynn: You seem to think that the role of the health service to provide a doctor in the evening. We have had some very odd measures for the health service and the least important one are waiting times, for instance. The outcomes are not measured in a rational, scientific way. They are again the *Daily Mail* standards of what people's perceptions are.
Mr Byrne: I think that is an extraordinary thing to say.
Chairman: We do like your interest in this notion of public service guarantees because it is something that this Committee has recommended and we would like you to take that further.

Q447 Mr Walker: Can I just ask one quick question? Paul touched on the fact that you are a great fan of MySpace and modern technologies. Director of Digital Engagement is a position being advertised at the moment by the Cabinet Office with a salary of between £120,000 and £160,000. We are in the midst of a recession and you are looking for someone to do twittering. Is that right?
Mr Byrne: I think that is another ridiculous characterisation.

Q448 Mr Walker: But it is fun, is it not? We have not had enough grandstanding at this Committee. Seriously, Minister, perhaps this was not explained as well as it should have been when the advertisement was placed; a bit of insensitivity perhaps.
Mr Byrne: In a funny way I do not think there is a big political divide on this kind of thing. In response to Paul I said a bit about how the media environment is radically changing and this presents two opportunities. We have to ensure that taxpayers know about what we are doing with their money and communicate that across a much more complicated range of channels. For many people in this country digital media is the channel through which they find out about what is going on and what government is doing with their taxes. Secondly—although I cannot speak much about this because it is a new agenda and I have not thought it through by any stretch of the imagination—on both sides of the political divide there is a new interest in how public policy can be conducted more effectively by changing behaviour. This is something that the Right Honourable Member for Witney has talked about in the past. He has prayed in aid a book called *Nudge* which is pretty interesting stuff. If you look at the *Economist* last year when they were naming their economist of the year almost all of them were behavioural economists. There is a new frontier, if you like, in public service reform around this idea of how behaviour economics and social marketing are harnessed in order to change behaviours in order to invest in prevention. That is true in health, it is true in criminal justice and it is also true in education. Digital technology will be absolutely critical in delivering on that agenda. This is very much a new agenda in government. There is a shared political interest in it but I would rather not talk about it, I would rather just do something about it.

Q449 Mr Walker: Are we going to read on your twitter site what soup you had tonight?
Mr Byrne: No.

Q450 Paul Rowen: Is this the third or fourth ministerial post you have had since you were elected?
Mr Byrne: It depends on whether you count being a regional minister, a minister for the Treasury and an immigration minister. I was police minister for a glorious two weeks.

Q451 Paul Rowen: So this is your fifth.
Mr Byrne: Sixth I think.

Q452 Paul Rowen: Sixth in four years. Do you think that makes for good government?
Mr Byrne: Are you asking if I think I am a good minister?

Q453 Chairman: Paul is asking you a question that has come up a lot in our evidence which is that ministers alternate too frequently and that civil servants move too frequently too. He is asking you about ministers in your experience.
Mr Byrne: It is really hard to generalise because it completely depends on the challenges you have in front of you.

Q454 Paul Rowen: Let us take the Borders and Immigration Service. You were put in there to sort it out.
Mr Byrne: Yes.

Q455 Paul Rowen: I asked your successor last week what the target was for asylum seekers. We knew that, it was 60%, but it is still 38% in terms of delivery. You were put in there to sort it out and it does not seem to have happened.
Mr Byrne: If you are going to take immigration reform then actually you voted against putting in place £100 million extra for immigration policing. You were on the Committee when I asked the Committee's authority to do that and you voted against it. If you look at what we have done by bringing together UK Visas and HMRC into the UK Border Agency actually that has created a stronger border security system for this country. The number of people coming in claiming asylum is now at the lowest level for about 12 or 13 years. We can selectively quote statistics about immigration reform but actually you are from the party that has consistently voted against many of the reforms that we try to drive through. I think that is a pretty rich analysis.

Q456 Paul Rowen: That was not the point I was making. You are the minister and you were put in there to do a job, yet the target for dealing with asylum seekers, getting their claims done is 60% and it is at 38%. That is a pretty poor record in my view.
Mr Byrne: If you look at the improvements in the UK Border Agency over a period of two years overall its performance has improved radically and that was often reform that was driven in the teeth of political opposition.

Q457 Paul Rowen: Taking other targets, you have reduced the Civil Service by 86,700. Apart from saving money, how has that made the departments more efficient in delivering your agenda?
Mr Byrne: Sorry, I do not understand.

Q458 Paul Rowen: Let me explain. I met members from the Public and Commercial Services Union yesterday from government offices and what they were telling me was they have lost 28% of the staff but the jobs have not gone. They told me they are still dealing with claims for European Social Fund, for example, but they are having to bring in agency staff to do the work because they do not have enough staff to do it. Or they are having very senior managers—because you are having more senior people rather than junior people—doing very menial tasks. Is that an efficient government?
Mr Byrne: Let me put the answer in this way: we are going to deliver on the targets for savings that were established by Peter Gershon so those efficiencies are real. However, against that backdrop we have, for example, dramatically improved education results and dramatically improved health results.

Q459 Paul Rowen: The tasks are still there and unless you actually change the nature of government, if you are still requiring fewer civil servants to do the same job, you actually end up doing the job more badly, do you not?
Mr Byrne: Let me answer the question again. In 1997 45% of kids got five good GCSE results; it is now 65%. Waiting times are down to 18 weeks; life expectancy is up. Crime is down 39%; burglary is down 55%; knife crime is down 39%. We have delivered these changes.

Q460 Paul Rowen: With respect, do you not think that the teachers or the doctors or the police have actually delivered that, not the civil servants who have actually produced the beans that have to be counted?
Mr Byrne: They are operating within a reform agenda that is set by government. You cannot say, "Okay, you have reduced the number of civil servants and the results of public service delivery have gone up" and somehow criticise us.

Q461 Paul Rowen: You have employed more teachers, have you not?
Mr Byrne: Yes, absolutely.

Q462 Paul Rowen: They have delivered their job.
Mr Byrne: Just to remind you of your own question, your own question was about whether the central Civil Service is more efficient now. If the results are going up and the number of civil servants is going down then that is pretty good, is it not?

Q463 Chairman: I think Paul's initial question is one I would like you to answer. You have been around organisations, you know about this, in your judgment how long does a minister have to be in a post in order to be effective? That is a question you can answer for us.
Mr Byrne: It is an important question and it entirely depends on what the task in hand is and what experience and networks the minister has.

Q464 Chairman: I think you can do better than that. It is not two weeks, is it?
Mr Byrne: Let us take an example of the Business Secretary. The Business Secretary brings in an incredible wealth of experience to his job and has a big job in hand. It is a really difficult question to answer without taking into account the attributes, the experience, the expertise, the energy and the enthusiasm of the minister in question and the nature of the job in hand.

Q465 Chairman: Of course there are variables and I am pushing you because it is really helpful to us to have a sense of this. It has been put to us very

strongly that one of the deficiencies of government is this problem of too rapid alternation. For a minister to be effective, broadly speaking, give or take all the variables, how long should they be in the post for do you think?
Mr Byrne: I can only speak from personal experience. In my own personal experience it takes at least three or four months to get fully up to speed, to get your agenda established, to get your relationships in place, to get the degree of alignment that you need with your civil servants, to tune into your accountabilities in the House. I know why you are asking the question and it is an important question, but that is my personal experience and I think even then it is probably hard to generalise from it.

Q466 Chairman: That is interesting. Half a year, say, to get up to speed and then the question would be how long would it take to really know the job and to improve in the job, to understand the systems you are dealing with and to make an impact, see things through, take responsibility for the outcomes of initiatives as well as launching them. Of course often what happens, as Paul is saying, is that these things are not continuous because the person who picks up the responsibility for things is not the person who has usually started them.
Mr Byrne: It does in part depend on the nature of the task that you have in hand. From my experience in social care, we were able to get individual budgets as a policy area up and running pretty quickly in part because I was building on the extraordinary good work of my predecessor.

Q467 Paul Rowen: How many are there? My understanding is that there are only 16,000, and that is three years after you ceased being health minister.
Mr Byrne: I would be happy to write to the Committee with the latest figures.

Q468 Paul Rowen: There are not many. There are parts of the country where there are a lot of personal budgets but there are not that many in total.
Mr Byrne: I would be delighted to write to you with the latest figures.

Q469 Paul Rowen: One other thing on capability reviews, the Cabinet Office came very low down the bottom when we looked at the capability reviews. I know you have this review of the reviews going on, but what have you done since you arrived at the Cabinet Office to actually improve the capability of the department?
Mr Byrne: There are two important changes that I asked Gus to make at the Cabinet Office. The first was to give much greater weight to the National Economic Council and to ensure that it was equipped with the best skills available to drive not only the development of policy but also to drive delivery of policy. I also wanted much better integration between the National Economic Council and the work that the Cabinet Office does every day to coordinate the domestic policy agenda through a group called the Economic and Domestic Affairs Secretariat. That is change number one. Change number two is that I want the Cabinet Office to be much better equipped to drive public service reform with greater force and greater speed over the months ahead. That is why we are re-organising in order to bring a number of parts of the Cabinet Office together in one public service reform group which I am able to tell the Committee this morning will be lead by a new director general called Chris Wormald.

Q470 Paul Rowen: You also said that there could be savings made by bringing together the IT and human resources departments into one central section. Given the experience of government with IT projects—massively over time and over budget—is that not even more dangerous, putting all your eggs in one basket?
Mr Byrne: I have worked in government IT for most of my career and my experience tells me there is no iron law that points in that direction.

Q471 Paul Rowen: You think by bringing it all together it will be more efficient.
Mr Byrne: I think savings can be made.

Q472 Paul Rowen: Do you think the example of the health service computer system is a good example of where centralisation has improved efficiency and saved money.
Mr Byrne: I am not massively well qualified to comment on the health system.
Paul Rowen: It is over budget, underperforming and those hospitals that have introduced it have had to employ a lot of staff to actually cope with it.

Q473 Chairman: I think we have got as far as we are going to get on that, Paul. I just want to ask you a couple of very quick things. Your Whitehall reforms are interesting and we follow them with interest. What I would like to know is, beyond those—better joining-up, more front line, capability reviews and so on—are you a Whitehall reformer? There are radical ideas around for what we might do to Whitehall; there is talk about increasing political control, for example (we have had IPPR reports saying that); we have had arguments for defining more clearly the accountabilities of ministers and civil servants. Is that an agenda that interests you beyond the things that you propose so far?
Mr Byrne: It is an agenda that interests me a great deal. I cannot claim to have fully thought through all aspects of the Whitehall reform agenda but I am anxious that in the House, in government, in think-tank land and in the media that this issue of Whitehall reform gathers greater currency. When I look at the 10 years ahead and I look at what we are trying to achieve not only on the economy as a government but also how we want to improve the rate of social mobility, how we want to strengthen our communities like the one I serve, I do not think that agenda can be delivered by government as usual or politics as usual. I think, therefore, a reform has to take place and a Civil Service reform has to be part of that.

Q474 Chairman: Do you wish that Whitehall reform had been grasped more firmly when the Government first came in?
Mr Byrne: I have thought about this a lot and I think that in politics you do have to prioritise. It would be unfair of me, as a relatively new minister, to criticise ministers who came in in 1997 and the first couple of terms because actually I think the priority was just driving the re-investment and renewal of public service that have been so badly degraded in the previous 18 years.

Q475 Chairman: Michael Barber, the delivery man, who has written the book *Instruction to Deliver* says that the failure to reform Whitehall is the great failure of the Government.
Mr Byrne: I disagree with that because I think the overwhelming priority of the Government was to drive the improvement of public service delivery.

Q476 Chairman: He thought that one was connected to the other.
Mr Byrne: The slight irony of Michael's position is that through government reform and through Whitehall reform he helped make some of those changes happen. Michael was obviously pivotal in helping make sure that in the Prime Minister's Strategy Unit and the Delivery Unit there was a delivery culture—a kind of long term policy making culture—that was created and institutionalised in Whitehall. However, Michael himself would say that that approached only worked in getting you—I think these are his words—from poor to adequate. That had to be the priority of the first period of this administration. The next 10 years posed very different challenges and they cannot be resolved through top down targets and flogging the system from Whitehall. Public service reform has to be quite different. You have to have strong delivery skills at the centre but you have to have a system that is far more innovative and thinks in a more joined-up way. The challenges are very different.

Q477 Chairman: Let me ask one practical thing to end with. This Committee has spent more time than it likes to remember on the issue of whether we should have a Civil Service Bill to put the Civil Service into statute. We have been through this endlessly. We have had endless government undertakings; we have had draft bills; we have produced our own bill on it. Finally, with the arrival of Gordon Brown, we had the commitment to do it and we had a constitution reform programme of which this was an integral part. We have had a joint committee considering it; we have considered it. It is ready to go. The only problem is that is still has not appeared. I think everyone wants to know whether we are going to get it in this Parliament.
Mr Byrne: Where we are is the position that Michael Wills gave the House on 9 December. In the Queen's Speech on 3 December the relevant sentence in the Queen's Speech was that we will continue to take full proposals on constitution renewal, including strengthening the role of Parliament and other measures. Michael Wills stated in the House on 9 December that proposals on the Bill will be presented in April and May and at this stage that remains the position beyond which, although I would love to go further, I cannot because we are still in the process of knitting together the position that the Government will take.

Q478 Chairman: There is to be a constitutional reform bill in this session.
Mr Byrne: Yes.

Q479 Chairman: There is to be Civil Service legislation as part of that.
Mr Byrne: Yes.

Q480 Chairman: The intention is to complete this in this Parliament.
Mr Byrne: The position remains as Mr Wills gave it to the House.

Q481 Chairman: You are the Cabinet Office Minister; you will know the state of play on this.
Mr Byrne: Yes, but there needs to be a collective decision of government which has not yet been finally taken and that is why unfortunately the position remains as Mr Wills gave to the House on 9 December.

Q482 Chairman: It is not easy being a minister, is it?
Mr Byrne: It has its privileges.

Q483 Chairman: Let me thank you for giving a lot of time to us this morning. We like the fact that you bring a fresh mind to some of these issues and we have enjoyed our session with you.
Mr Byrne: Thank you, so have I.

Written evidence

Memorandum from Rt Hon Liam Byrne MP

During evidence to the Committee on 26 February, I promised to write with further information by way of follow-up.

During the session, I said that Department of Health spend per minister is about £16 billion. Paul Flynn asked for the comparable data for ministers in both the Wales Office and Scottish Office. The combined resource and capital budgets in 2007–08 (without accounting for depreciation) for the Scotland Office and the Wales Office are £27.4 billion and £13.8 billion respectively. Each of these departments is served by two ministers. Therefore average spend that a Scotland Office minister is responsible for is £13.7 billion and the equivalent figure for a Wales Office minister is £6.9 billion.

Paul Rowen asked about individual social care budgets. The number of people receiving an individual budget (of up to six separate funding streams) as part of the Individual Budgets Pilot Programme evaluation was relatively small. Since the end of the pilot, the 13 pilot Local Authorities, and a number of others, have begun to extend personal budgets (social care only) to more people eligible for social care.

Over the period from April 2008 to March 2011, all councils will have received a total of £520 million to transform adult social care, including the delivery of personal budgets to the majority of people through a process of self-directed support where the individual exercises choice and control over the care and support they receive. A total of 92 Local Area Agreements (81 designated targets and 11 local priorities) have chosen National Indicator 130 (Social Care Clients Receiving Self Directed Support) as a priority.

Currently, only data on people receiving direct payments is collected. The latest figures available showed an increase of roughly 36% across England from 54,151 at 31 March 2007 to 73,542 at 31 March 2008. Therefore, well over 80,000 people are receiving a personal budget, mostly in the form of a direct payment. From this April, councils will collect information on the number of people who have gone through the self-directed support process, including people receiving a direct payment. However, the data on this for the 2009–10 year will not be available until later in 2010.

I am copying this letter to Paul Flynn and Paul Rowen.

March 2009

Memorandum from the Audit Commission

The Commission undertakes national studies on a wide range of topics to examine the economy, efficiency, and effectiveness of local public services.[1] We carry out research and provide independent analysis to give insight into complex social problems and best practice in tackling them. We make practical recommendations for policymakers and for people delivering public services. This often includes recommendations to central government relating to its interaction with the bodies that provide local public services. This memorandum draws on evidence from a number of those national studies, across a wide range of policy areas.

Summary

1. The Audit Commission is pleased to submit evidence to the Public Administration Select Committee inquiry into good government.

2. This memorandum focuses on those areas where evidence from the Commission's work indicates preconditions for good government, namely:

- the strategic role of central government;
- the need for consistency in this strategic role;
- the need for policy making to be evidence-based and grounded in an understanding of the realities of delivery;
- the need for coherent funding arrangements to support government priorities;
- the importance of strong leadership at both local and national levels; and
- the importance of performance management.

3. Good government is needed if policy making is to be translated into effective delivery. We have drawn on findings from our national value for money studies as well as local audit and inspection work. We conclude that, while many of the preconditions needed for good government are in place, they are inconsistently applied to policy development and implementation.

[1] Details of current and published studies can be found at www.audit-commission.gov.uk/nationalstudies

The Strategic Role of Central Government

4. In respect of local public services, the proper role of central government is at a strategic level. This includes setting the overall direction of policy to deliver specific outcomes and creating a performance framework to review the delivery of these outcomes. This role should not extend to planning the minutiae of how these outcomes are achieved at a local level, which should be a matter for local public bodies. This strategic approach is sometimes referred to as the tight-loose-tight approach:

- tight control on what is to be achieved;
- loose control on how this is done; and
- tight control on performance management of outcomes, but not of processes.

5. Getting the balance of responsibilities between central and local government right is challenging. The Commission's recent study, *Don't stop me now: Preparing for an ageing population* (Ref. 1) provides an analysis of the government's approach to demographic change. The study highlights the Opportunity Age programme, central government's 10-year strategy, published in 2005, to improve the quality of life of all older people, including the most excluded, by creating a cycle of well-being through participation, leisure, education, improved health and ensuring that older people are valued in the workplace and communities. Our study found that overall Opportunity Age has had little impact on the performance of councils because:

- the strategy is clear, but it has a low profile. As a consequence the aims are not commonly known;
- the support promised by central government has not been delivered, other than through the pilot schemes run in ten councils;
- the outcomes that councils need to deliver are not defined; and
- there has been no assessment of progress until our report and, as a result, good practice has not been shared.

6. Setting, focusing on, and measuring against achievable long-term objectives in a reform programme are characteristics of good government.

Consistency in the Strategic Role of Government

7. In addition to ensuring that central government focuses its energies at a strategic level, evidence from our studies highlights the problems that can arise should inconsistencies develop between the strategic direction being set by individual government departments.

8. For example, through the research undertaken to support *Staying afloat; Financing Emergencies* (Ref. 2), our study published following the flooding of summer 2007, we found that the overall package of government assistance offered to local authorities was very welcome, but it was hastily put together, unpredictable and different government departments applied different criteria. The capacity for local government to plan for the future, and take out appropriate insurance, is compromised by uncertainty as to how central government would respond if similar events were to occur in the future.

9. Evidence of a lack of consistency across government is not confined to unpredictable events. For example, our recent study looking at the impact of children's trusts, *Are we there yet?: Improving governance and resource management in children's trusts* (Ref. 3) highlights the difficulties that trusts have encountered due to confusing guidance coming from different central government departments. The nature of children's trusts was unclear from their inception, not least because the Department of Health and the then Department for Education and Skills took different approaches, and subsequent guidance was not consistent. As a result, much local confusion still exists today about the trusts' purpose, and there is little evidence to suggest that children's trusts have improved outcomes for children.

10. There is scope for this situation to be exacerbated by guidance released this year to support the development of children's trusts and local strategic partnerships (LSPs).[2] While not incompatible, the relative levels of emphasis placed on these different decision making forums in each set of guidance creates a danger of further confusion about responsibility for decision making, both between local partners and between local and central elements of government.

11. Meanwhile the Department for Children, Schools and Families is considering further legislation and guidance in respect of children's trusts.

[2] In April 2008, the Department for Children, Schools and Families (DCSF) published draft statutory guidance on inter-agency working in children's trusts. It proposed a strengthened role for children's trusts, supported by a new Centre for Excellence and Outcomes in Children and Young People's Services. At the same time, Communities and Local Government (CLG) published new statutory guidance on local strategic partnerships (LSP). This consolidated guidance on establishing a vision for an area through the Sustainable Community Strategy, agreeing priorities through local area agreements, and delivering those priorities through LSPs.

Evidence-based Policy Making Grounded in an Understanding of the Realities of Delivery

12. If good government is achieved through strategic and consistent decision making, it also needs to be based upon policy decisions that are evidence based and taken with an understanding of the realities of delivery. Getting the policy right requires good analysis; delivering it in reality requires a complex delivery network to be mobilised to a common end. The Commission's analysis of delivery chains, undertaken jointly with the National Audit Office, highlights the challenge of translating policy into reality. (Ref. 4)

13. In analysing *the delivery chain for bus service delivery in England* (Ref. 5) we found that the delivery plan to support PSA3[3] aimed at increasing use of public transport was reasonably clear, but had never been published. Deficiencies in data collection were also undermining both the premise that the delivery plan was based on and the capacity to hold those delivering the service to account. The evidence base for the delivery plan was therefore incomplete.

14. Added to this, our research also found that while the delivery plan did identify actions to achieve passenger growth, it did not assess the extent to which such growth would contribute to the PSA target's underlying objectives of tackling congestion, vehicle emissions and social exclusion. The capacity to deliver on the PSA target could therefore be seen to have been compromised from the outset.

15. Similar analysis of the delivery chains for tackling childhood obesity and the delivery of affordable housing reached similar conclusions that central government:

- had an understanding of the delivery chain in each area but it did not have the full picture;
- did not engage all elements of the chain in planning how it would meet relevant PSA targets; and
- did not acquire or provide relevant data to support different parts of the delivery chain in planning and performance management.

16. In *Delivering Efficiently: Strengthening the links in public service delivery chains*, (Ref. 4), the Commission and the NAO highlight a series of questions that should be considered in order to build effective delivery chains, of which the most relevant to central government are:

- Is the required outcome sufficiently clearly defined?
- Is the evidence base sufficiently robust?
- Is there sufficient capacity, including available resources, to deliver?
- Do local, regional and national levels communicate regularly using reliable information so that there is good coordination? and
- Have systems to achieve efficiency been built into the delivery chain?

17. The consistent application of these questions would have a significant impact on the quality and consistency of policy formulation and delivery.

18. Understanding delivery is complex so, where possible, bringing direct experience to policy-making is helpful. The Commission welcomes recent comments from the local government minister proposing that senior Whitehall staff should spend time working at a council or another public body in order to gain delivery experience. (Ref. 6) It is notable that, since 1999, 38 civil servants have undertaken secondments at the Audit Commission while during the same period, 58 members of the Commission's staff have undertaken secondments in central government departments.[4] While experience of delivery is developing within Whitehall, a greater secondment culture may assist in improving this.

Coherent Funding to Support Government Priorities

19. The funding arrangements designed to support government priorities are also an important role for providing the conditions for good government.

20. The Commission's 2006 delivery chain analysis (Ref. 4) found that PSA targets are "frequently established without analysis of the cost of delivering them within the timescale envisaged, with the danger of creating unrealistic aspirations'. A fundamental element of good government revolves around the development and implementation of funding arrangements appropriate to the aspiration of policy. The policy and funding arrangements aimed at preventing anti-social behaviour[5] and diverting them to developmental activities provide a good example of complex arrangements that have a negative impact on the effectiveness of central government policy. There are multiple funding streams, with over half the money coming from central government, involving substantial bureaucracy associated with bidding processes. The impact is two-fold:

- First, the scope for coherent local practice is impeded by the financial complexity. For example, central government funds to support work in this area can be traced back to seven different departments, the majority of which is then channelled through other national bodies. Nearly a

[3] As part of its 10-year transport strategy in 2000, the Government set a Public Service Agreement target (PSA3), which it has subsequently amended, to increase bus and light rail usage by 12% in the 10-year period between 2000 and 2010, with the additional challenge of achieving growth in every English region.
[4] Figures based on internal Audit Commission data.
[5] This is based on research undertaken by the Audit Commission due to be published during winter 2008–09.

third of project leader time is spent on identifying and applying for funding and managing the budgets, so this complicated framework reduces the resources that should be available for actually delivering services that will make a difference to local communities.[6]

— And second, the fixed term funding arrangements that are prevalent in this area make it hard for local agencies to develop a long-term, consistent approach, which research evidence shows is the most effective way of addressing the issues.

21. There is also a tendency for funding mechanisms to be over-complicated. The administration of this complexity imposes a cost on government at all levels, and also reduces transparency in the sector, which may lead to councils finding it hard to predict changes to their funding levels and the impact this may have on them. A lack of clarity can also lead to individual councils challenging funding decisions.

22. A brief consideration of local government funding illustrates this point.

— In recent years there has been a decline in general revenue support grant funding (RSG) (£3.1 billion in 2007–08) and an increase in the number and value of specific grants (£44.5 billion in 2007–08), largely as a result of the transfer of schools funding to a specific grant, and the Dedicated Schools Grant (DSG) of £28.1 billion in 2007–08.[7] (Ref. 7).

— Significant complexity is built into the allocation of the £3.1 billion RSG through a four block system, which comprises elements relating to relative needs, relative resources, central allocation and floor damping.[8] (Ref. 7) The detail of the 2007–08 allocation is set out in the Local Government Finance Report (England) 2007–08, published by the Department for Communities and Local Government. (Ref. 8).

In brief:

— The relative needs formula is based on demographic and socio-economic data and is intended to equalise for differences in need above a minimum level. The formula is built up from the relevant elements of the seven major service blocks: children's services; personal social services for adults; police; fire; highway maintenance; environment, protective and cultural services; and capital financing. Much of the complexity stems from this calculation.

— The relative resources formula is based on tax revenue data and equalises for differences in taxable capacity.

— The central allocation is a standard pounds per head allocation, made up of minimum needs plus minimum resources.

— The process of floor damping guarantees authorities a minimum grant increase.

— The impact of the floor damping arrangements raises questions about the complexity of the system as floor damping can lead to significant changes in the formula-based grant allocations.

23. Government could therefore be improved by developing an appropriately simplified and sustainable approach to funding.

Strong Leadership

24. Audit Commission work has also highlighted the need for strong and consistent leadership as an important element of good government. This is increasingly being recognised in local government as part of the place shaping agenda; it is a role for senior officials as well as for elected representatives. Strong and consistent leadership is also required within Whitehall.

25. In *Tougher at the top?*, (Ref. 9) the Commission's recent paper looking at the leadership challenge in local government, four changes to the nature of leadership in recent years were identified. These are:

— the identification of effective political and managerial leadership as fundamental components in creating high-performing local authorities;

— the requirement for a new, more facilitative style of leadership to deliver local government's leadership role;

— an increase in external assessment, meaning that local authority performance can be compared with previous years and with other authorities; and

— specific changes in the scope and complexity of the role of chief executives.

[6] Further detail on these findings will be available in the forthcoming national study supporting this research.

[7] 2001–02 figures are outturn and 2007–08 figures are provisional outturn. Further detail: the total amount of funding available through specific grants increased from £6.6 billion in 2001–02 to £44.5 billion in 2007–08. Over the same period, the Revenue Support Grant (RSG) dropped from £21.1 billion to £3.1 billion, largely as a result of the transfer of schools funding to a specific grant, the Dedicated Schools Grant (DSG) of £28.1 billion in 2007–08.

[8] This four block system applies to all formula grant, which alongside RSG includes redistributed non-domesctic rates and police grant. The total value of formula grant, including RSG fell from £40.0 billion in 2001–02 to £25.6 billion in 2007–08. figures are outturn and 2007–08 figures are provisional outturn.

26. Effective leadership has been identified by government as a fundamental driver of improvement. The 2006 Local Government White Paper, for example, stated that "Leadership is the single most significant driver of change and improvement in local authorities" (Ref. 10). Some of our recent work (Ref. 9) identified that turnover among local authority chief executives has increased in recent years, with poor CPA scores often playing a role in turnover of underperforming CE leadership. Drivers for changes in political leadership in central government departments are often less evident and change, when it occurs, tends to be swift. It is notable that since 2003 (when the Commission's current Chief Executive was appointed), the main sponsoring departments for the Audit Commission, the Department of Health (DH) and Communities and Local Government (CLG),[9] have respectively seen four and three secretaries of state in charge. Consistency of leadership and appropriate performance-driven turnover in central government are issues that may warrant further consideration in the context of good government.

27. Evidence from another of the Commission's studies Seeing the light, suggests that consistent and effective leadership is one of the key enablers of successful innovation. (Ref. 11) For example, our 2006 analysis of delivery chains found that significant growth in bus usage in London has been in part due to the Mayor and Transport for London's strong and consistent commitment to car restraint measures and investment in improving bus services. (Ref. 5) The importance of leadership, in setting clear direction and supporting innovation is as important across central government as it is within local government.

The Role of Performance Management in Good Government

28. Within local government, performance management has had an important role in encouraging improvement. As the minister for local government recently commented, we need to see in Whitehall the kind of rapid improvements that the Comprehensive Performance Assessment (CPA) helped to deliver for local government. (Ref. 6) While the capability review process, which draws from some of the elements of the CPA framework, has been an important step forward in assessing central government performance, there is still progress to be made. Capability reviews are inevitably limited because of the inherent nature of the bodies being inspected: CPA compares bodies with like functions whereas central government departments can't be compared on the same basis. But this should not undermine the continued development and embedding of performance management frameworks across central government.

29. In local government, performance management is now taking a step forward from CPA towards assessing the prospects for the future delivery of cross-cutting outcomes in an area. Comprehensive Area Assessment (CAA) will provide the first holistic, independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local taxpayers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. Reducing inequalities and discriminatory outcomes for all members of the community will be central to CAA. This will be a lighter touch regime and is only possible because of the performance improvements that CPA and other inspection regimes have evidenced. The question for central government is whether, or when, its performance will be sufficiently evidenced to allow a move to a more evidence-based, cross-cutting outcome-focused assessment.

Conclusion

30. As has been highlighted throughout this memorandum, a number of characteristics contribute to good government: ensuring that policy development is based on evidence and takes account of the reality of delivery (whether that be financial, operational, or structural); a strategic and consistent role for central government; strong leadership; and an effective performance management system. While there is evidence of good practice in many of these areas, there are equally many examples of practice where the application of these principles of good government could be improved.

References

Ref. 1: Audit Commission, *Don't stop me now: Preparing for an ageing population*,Audit Commission, 2008.

Ref. 2: Audit Commission, *Staying afloat: financing emergencies*, Audit Commission, 2007.

Ref. 3: Audit Commission, *Are we there yet? Improving governance and resource management in children's trusts*, Audit Commission, 2008.

Ref. 4: Audit Commission and National Audit Office, *Delivering Efficiently: Strengthening the links in public service delivery chains*, Audit Commission, 2006.

Ref. 5: Audit Commission and National Audit Office, *Delivery Chain Analysis for Bus Services in England*, Audit Commission, 2006.

Ref. 6: J Healey, *"Why civil servants need to get out to get on"*, Municipal Journal, 06.11.2008, pp 24–25.

[9] And the Office of the Deputy Prime Minister before it.

Ref. 7: Data sources:
2007–08: http://www.local.odpm.gov.uk/finance/stats/laout0708t2.xls
2001–02: http://www.local.odpm.gov.uk/finance/stats/table2.xls

Ref. 8: Data source: http://www.local.communities.gov.uk/finance/0708/lgfrs/lgfr.pdf

Ref. 9: Audit Commission, *Tougher at the top? Changes in the labour market for single tier and county council chief executives—a discussion paper*, Audit Commission, 2008.

Ref. 10: CLG, *Strong and Prosperous Communities: The Local Government White Paper*, CLG, 2006.

Ref. 11: Audit Commission, *Seeing the light: Innovation in local public services*, Audit Commission, 2007.

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November 2008

Memorandum from Dr Paul Benneworth, Research Councils UK Academic Fellow in Territorial Governance, Newcastle University

Introduction

1. The Public Administration Select Committee have recently announced an inquiry into "Good Government" concerned with the effective formulation, implementation, modification and oversight of government policy. I welcome this inquiry as a timely opportunity to reflect on the Government's attempts to deliver economic development policy at a sub-national level in England outside London (where there is a directly elected Mayor). I am a Research Councils UK Academic Fellow in "Territorial Governance" at Newcastle University, and submit this evidence as part of RCUK's commitment to outreach work by its fellows.

2. In this memorandum, I will restrict my comments to elements of questions 2 and 6 in the issues paper, namely "Are relations between the centre of government, individual departments and frontline public sector workers organised so that each part of government can do its work effectively?" and "Is effective policy implementation hampered by too much change?" This memorandum is concerned with regional government, and restricts its definition to "delivery at a sub-national level of competencies held by a body accountable to the UK Parliament".

3. I deal with the consequence of two problems in UK governance. The first is the tendency for regional bodies to work towards primarily national agendas, often indifferent to the needs of the regions they purport to serve (siloisation). Since the 2004 "no" vote in the North East referendum, progress to avoid siloisation by drawing up regional strategies has stalled, further highlighting flaws in the sub-national delivery machinery.

4. This memorandum offers a number of suggestions which are necessary in order to address these two problems. This is necessary to effectively deliver good government in the regions—without requiring developing new accountable bodies for the regions such as elected regional assemblies. The evidence draws from a number of my research projects from the last decade, undertaken for Regional Assemblies, Regional Development Agencies, RCUK and NESTA.

Principles and Practices of Effective Sub-national Government

5. There is an increasing recognition of the increasing importance of "place" to economic activity. As innovation becomes central to economic performance, and inter-personal interaction is vital for innovation, regions are increasingly important as the "natural scales" for interpersonal interaction, innovation and competitiveness. Locally targeted investments may have wider regional impacts, such as airports, hospitals and universities. The interaction between these investments, often located in core urban areas, and their hinterlands, demands effective public oversight to maximise the benefits of spatial specialisation whilst limiting local competition.

6. An increasing number of governments recognise the need for a sub-national tier to optimise policy delivery within these "natural" regions, both for the benefit of the regions, and also for the nations of which they are part. In England, it has long been recognised[10] that there is no suitable regional tier outside of

[10] See for example Office of the Lord President of the Council (1976) *Devolution in the UK: a green paper*, London: HMSO.

London: despite recent local reorganisations, counties remain too small to be effective. Other countries have responded by creating mezzanine structures, either inter-municipal organisations or "prefectures" (regional government offices).

7. The arrangement in England outside London is not a pure "prefecture" arrangement, as government offices are a regional presence for national departments, in contrast to the former Scottish Office which operated as a territorial civil service.[11] Particular teams and directorates within government offices are strongly aligned with national departments rather than their host territories, producing a "silo mentality".[12] Despite recent experiments with Regional Emphasis documents, government offices have proven much better at ensuring regional partners comply with national demands than that national policies reflect diverse regional needs.

8. This silo mentality has created institutional barriers to good regional government. Bodies created in the last decade, such as the Regional Development Agencies (RDAs), are accountable through national departments and managed in line with Public Service Agreements (PSAs). RDAs—in common with many other sub-national bodies—face centrally determined targets set by departments, undermining their potential to contribute to good regional governance by making national policy-makers aware of particularly salient local challenges and problems.

9. All concerned parties seem aware of the silo mentality problem, but despite the best efforts of the Cabinet Office,[13] no administrative solution has been found. Two partial solutions have been attempted. Firstly, sponsor ministers have been appointed for regions, initially in the mid-1990s, and more recently in the aftermath of the *Sub National Review*. Secondly, Parliament has attempted regional scrutiny through the Regional Affairs Standing Committee, although its work to date has been modest, certainly in comparison to the Welsh and Scottish Grand Committees.

10. To address these divisions, much faith has been placed by national government in the capacity of regional "strategies" to join up where the machinery of national government has failed. RDAs produce economic strategies every three years, whilst currently Regional Assemblies are responsible for *inter alia* spatial planning, transport and waste strategies. Understanding how effective the Government's arrangements are in practice requires understanding how far "strategies" have been able to address these institutional shortcomings.

The Relation of Regional Strategies to Policy and Activity

11. Any regional development strategy is an attempt both to influence the future and create a more hospitable environment for implementing current government policies. Good regional strategies follow a number of principles, and these principles provide a useful framework to explore how far English practice can be regarded as "good". In the absence of a regional administrative tier, good strategic planning involves capacity building: assembling a community of interest around regional development, bringing together the stakeholders with an interest in and capacity to influence territorial development.

12. There are three other principles of good territorial strategic development. Firstly, good strategies are grounded in a solid understanding of the regional situation and trajectory, and what policy levers exist to influence that trajectory.

13. Secondly, they express a commitment to a direction of travel which allows public and private investors to invest with a certainty that their investments will be supported by other investments to maximise their chance of success (eg a developer's business park will be connected to trunk roads and have electricity).

14. Finally, they set out the hard decisions facing public policy makers, either expressing a decision or creating an expectation of a transparent debate to resolve those uncertainties (such as choosing a single lead airport or port).

15. Strategy development is not a one-off process, and the two elements, capacity building and creating a change framework, work together constructively. Drawing up a good strategy will mobilise a community of actors committed to delivering particular successful outcomes. It will be that community in the medium run who deliver those outcomes in partnership with others. Actors who are not initially involved may realise that involvement helps ensure others' resources deliver their own goals, and so engage in subsequent strategy rounds. Therefore, more committed actors become involved, placing more resources within the scope of the strategy, and creating a greater influence on the developmental trajectory of that territory.

[11] See for example Bogdanor, V. (1999) Devolution in the United Kingdom, Oxford: OPUS.
[12] Musson, S, Tickell, A, & John, P. (2005), "A decade of decentralisation? Assessing the role of the Government Offices for the English regions" *Environment and Planning A 37* (8) pp. 1395–1412.
[13] See for example Cabinet Office (2000) "Reaching out—the role of Central Government at regional and local level" A Performance and Innovation Unit Report, London: The Stationery Office.

Are English regional strategies delivering "good government"?

16. Against the above criteria, it is reasonable to describe performance thus far as "patchy". Certainly, there have been pockets of good practice, where there has been constructive strategy building and the development of regional capacity. I would particularly point to the Department for Communities and Local Government (DCLG)[14] who have pioneered an open-minded experiential learning approach to the creation of sub-national delivery arrangements. The Department has created a national expert network in practice and research, funding research and studentships. Most importantly it has actively used these experts to ensure DCLG understand both regional situations, and what policy tools exist to alter those situations.

17. From 1997–2004, there was also progress in building regional institutions delivering regional outcomes. RDAs were successfully established, proved they could align themselves with national strategies (2000), made the case to have a single budget stream (2002) and proved that they could be trusted with that.[15] The natural next step in this decentralisation process was creating elected oversight for these new structures, a step signalled in *Your region, your choice* (2004). The North East referendum produced a landslide "no" vote, in part because voters felt the powers on offer to ERAs were too meagre, partly itself a consequence of the reluctance of departments outside ODPM[16] to decentralise their tasks to putative elected assemblies.[17]

18. The "no" vote could not have come at a worse time in terms of producing an effective political response. From November 2004 to June 2005, regional concerns languished in anticipation of the General Election. From June 2005 to mid-2006, the idea of city-regions emerged, with strong political backing; however, a Cabinet reshuffle and the departure of the responsible minister returned the idea to limbo, with further progress stalled in anticipation of a new Prime Minister.

19. Although the new Prime Minister published his *Sub National Review* in autumn 2007, it contains no substantial proposals to restore momentum to the regional institutional development process or to compel Whitehall to take regional considerations into account in their policy-making.

20. This is a critical issue because the current arrangements retain the flaws of "siloisation": many regional partners subdued their criticisms and dissatisfaction during times of obvious forward progress. However, there is now less willingness amongst regional partners to grant regional arrangements the "benefit of the doubt".

Are flawed regional structures delivering good government?

21. Within this bigger picture of stalled progress, questions exist around how effectively the regional arrangements are able to join up regional spending. In its 2006 Regional Economic Strategy, the North West Development Agency identified that of £167 billion of public spending in the North West in the strategy period, it directly controlled £1.8 billion of government and EU funding (0.9%), it could significantly influence a further £15 billion (9.3%) and partially influence £28 billion (16.8%).[18]

22. This highlights the underlying reality of the regional economic strategies: they represent prospectuses of what can be currently agreed upon for regional partners to co√invest in. This is very different to creating an expectation of change around which other partners align their spending. The strategies are reactive to—rather than creative of—external (regional) conditions.

23. A second problem has been the involvement of other public sector regional partners. The sub-national arms of many organisations suffer from vulnerability to national level changes in the machinery of government. Key partners in delivering a regional economic strategy are business support organisations and training and skills organisations.

24. The two lead national bodies (Learning and Skills Council and until recently the Small Business Service) each had their own regional delivery structures which was very poorly aligned with the RDAs.[19] Both organisations have also been through several rounds of internal reorganisation which have reduced their capacity to contribute to strategy development in their regions. This area of effective government is being undermined by continual change in organisations driven by national indecision about precisely what these bodies should be doing.

[14] I include its predecessor bodies Department for Environment, Transport and the Regions, the short-lived Department for Transport, Local Government and the Regions, and the Office of the Deputy Prime Minister.

[15] National Audit Office (2003) *Success in the regions*, London: TSO, HC 1268. See also DRA 57 in *The Draft Regional Assemblies Bill* Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions Inquiry (2004) London: The Stationery Office, HC-972.

[16] Office of the Deputy Prime Minister.

[17] See for example Rallings, C & Thrasher, M. (2005) "Why the North East said "no": The 2004 referendum on an elected regional assembly". ***Devolution*** *Briefings. No 19* http://www.devolution.ac.uk/Briefing_papers.htm

[18] Northwest Development Agency (2006) *Northwest Regional Economic Strategy 2006*, Warrington: NWDA, p 19.

[19] See for example para 51 of Communities and Local Government Committee (2006) "What future is there for regional government" *Housing, Planning, Local Government and the Regions Inquiry*, London: The Stationery Office.

25. A third problem is that in the last three years, there has been the emergence of an implicit national development strategy for England based on two growth poles, the Greater South East and Manchester. This appears to be driven by the regional growth PSA, targeting regional convergence by creating a second growth pole rather than spreading growth across the six non-core regions. This implicit policy was recently noted by your colleagues in the IUS Committee Inquiry.

26. "The Government's message is confused about whether it has a regional policy for science, and specifically whether it should influence or dictate where STFC should spend its money, be it on the Daresbury Laboratory or elsewhere. This current confusion over the Government's regional policy is unacceptable given that so little is spent on research and development outside the south and the south-east, in particular. If the Government has a regional policy, this percentage spend represents a failure of that policy".[20]

27. Finally, some national policies have more salience for some regions than others. Particular policies, although well-intentioned, can end up having profoundly regressive effects in some regions and create problems for regional partners and strategies in achieving their own ends. One good example is the proposal to create a co-investment fund between the Technology Strategy Board (TSB) and the RDAs.[21] Current TSB activity hints that this will benefit some regions more than others: of 283 projects listed on their database, 37 involve a partner in the North East of England, 62 in Yorkshire & the Humber, and 168 in the South East. This is more reflective of existing regional scientific capacity than where the Government should invest in science to achieve balanced regional economic growth.

Current Weaknesses Inhibiting "Good Government" in the Regions

28. A number of weaknesses within the current regional arrangements are evident, and addressing those weaknesses will improve the quality of regional government. The first is the very high turnover and consequent low shelf life of many strategies produced. In the North East, for example, there have been five regional innovation strategies produced in the last 12 years. Each have claimed to offer the last word in setting a long term strategic framework, but in each case, the strategies have been set aside before any kind of implementation has begun.[22] This has primarily been driven by external policy decisions by national departments demanding different kinds of strategies rather than a failure by regional partners.

29. Secondly, there has been a loss of enthusiasm of regional partners for engaging in strategic processes, undermining any kind of claim to capacity building that these strategies have had. The North East's innovation experience underlines this. The 2001 Regional Innovation Strategy identified a series of enthusiastic, successful regional innovators (in businesses and support services) to champion particular support activities, alongside an administrative support team ("Pioneer"). In the space of nine months, this strategy and its delivery mechanisms was abandoned in favour of a regional science strategy drawn up by consultants to better position the region to get national science funding in the wake of the Smith review. This proved extremely disappointing for these entrepreneurs, many of whom disengaged from subsequent science and innovation strategy consultation processes.

30. More generally, in the late 1990s there was a genuine clamour for consultation by regional partners after 18 years of being ignored. There is a rising tide of feeling by regional partners that strategy consultations are a waste of time. The general effect is to limit the size of the regional policy community effectively to actors seeking funding for their projects, which profoundly restricts the generality and effectiveness as a governance mechanism of the regional strategies which eventually emerge.

31. A final problem is that because of their short-lived nature, and their disconnection from delivery, many regional strategies have acquired "marketing functions" for selling regional locations to particular new types of science-based industries. The orthodoxy is that uncertainty or conflict dissuades potential investors, so regional strategies typically gloss over hard decisions facing regions, such as concerning flagship business park locations, regional airports or rural development.[23]

A National Framework for Democratic Regional Decision-making

32. It is clear that many of the inefficiencies in the system delivering government to the regions arise from the susceptibility of particular regional partners to inadvertent disruption by national-level interventions. Regional networks are heavily dependent on a range of national departments with competing and conflicting interests. Regional consensuses are extremely difficult to effectively negotiate but are easily disrupted by national changes indifferent to their regional consequences.

[20] Innovation, Universities, Science and Skills Committee (2008) "Science budget allocations", *Fourth Report of 2007–08 session*, London: The Stationery Office, HC215-I.

[21] Benneworth, P. (2007) *Leading Innovation: Building effective regional coalitions for innovation*, London: National Endowment for Science, Technology and the Arts.

[22] Benneworth, P. (2007) "The North East of England: a series of diagrams in search of a strategy?" *NESTA Leading Innovation Research Project Regional Fiche No 1*, Newcastle: KITE.

[23] See for example Benneworth, P S & Vigar, G. (2007) "Strategic planning in practice: the case of the North East of England" in H Dimitriou & R Thomson (eds) *Strategic Regional Planning in the UK*, London: Spon.

33. There is no structural economic evidence to suggest that regions will become less important to economic success in the coming years. Despite a window of opportunity for referenda on elected regional assemblies after 2011, I anticipate no political will to anchor regional arrangements in ERAs in the immediate future. The most urgent issue therefore for good regional government better delivering government in the regions, is in compelling the national tier to allow regional networks more stability to deliver effective public services.

34. The first element demanded is building an explicit national understanding of how each region of England outside the greater South East contributes to the national wellbeing. This involves appreciating both particular regional strengths and challenges, and what this demands from national policy makers. Critically, this understanding (possibly a strategy or plan) needs to be based on accepting that regions have different needs, rather than similar problems on different scales. The Regional Emphasis Documents are one tiny step in this direction but their inadequacy is demonstrated by the way in which a new regional policy for science has emerged, totally the opposite from its predecessor, without any kind of sensible democratic oversight or debate.

35. The second element is the need to allow regions some "breathing space" to make their strategies work and to ensure there is flexibility and resources so that strategies can influence how public services are delivered regionally. This experience of a rapid turnover in strategies is exceptional to England—even in Scotland, its 10 year Science Strategy has been continuously supported for at least six years. In the Netherlands, their National regional development plan "Peaks in the Delta" has worked effectively for five years, and the Swedish innovation agency VINNOVA has had great success in providing 10 year partnerships for regional innovation strategies. Without resources, flexibility, and stability, English regional strategies will remain catalogues of existing activity and future shopping lists rather than a co-ordinating principle for good government.

36. Thirdly, key regional actors themselves need to be better at consolidating existing good practice whilst extending its scope. I underline the importance of people—such as the institutional entrepreneurs in the North East's 2001 Regional Innovation Strategy—who will translate government policy into effective regional level activities (such as incubators, investment funds or technology centres).[24] Regional policy has proven very poor at supporting these people: institutional entrepreneurs often find when their successful activities do not fit with regional strategies, rather than changing the regional strategy to fit good practice, their activities are starved of resources. Conversely, the city of Tampere in Finland has pioneered a bottom-up strategy-making process where strategy teams are tasked with accommodating institutional entrepreneurs' suggestions, upscaling them to increase their impact.[25] This vital capacity is almost completely absent in the English regions.

37. Finally, there must be better democratic oversight of these new arrangements—their administrative nature must not allow them to avoid serious Parliamentary scrutiny of good regional government. It must be for Parliament to decide on how it will exercise this function, but without serious action from this Committee and your colleagues, government of the regions will remain some way distant from a model of good government.

June 2008

Memorandum from the Better Government Initiative

The Public Administration Select Committee (PASC) invited the Better Government Initiative (BGI) to respond to the nine questions set out in its recent Issues and Questions Paper on Good Government. We have done so. We also attach a memorandum by Sir David Omand, a member of our Committee, which we believe bears most on Question 6 but is also relevant to other questions. Many of the questions are interlinked and, given the relatively short time available for preparation, there is inevitably some overlap in the argument, and unevenness in the drafting, of what follows. We hope that the Committee will nevertheless find our contribution helpful.

Question 1: *What does good government look like, and what are its necessary conditions?*

Good government inevitably means different things to different people. In a democracy it is ultimately for the electorate to decide if a particular government's policies are good enough to return them to power. Between elections it is for a nation's representative institutions to determine what is good and bad policy. With hindsight, a good government will be widely held to be one which pursued and achieved historically defensible policies. Unsurprisingly, opinions will vary—and vary over time—over both that, and over which of an administration's policies proved good, but they will probably vary much less over how well its ministers achieved what they set out to do.

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[24] See Benneworth (2007), cited above.

[25] Sotarauta, M. (2007) "The regional innovation journey in Tampere, Finland" *NESTA Leading Innovation Research Project Regional Fiche No 1*, Newcastle: KITE.

Therefore there is an interpretation of the question—what does good government look like?—which may be less controversial: whatever a government's policy intentions, how successful is it in carrying them out? The BGI is not about good and bad policy (except, of course, about policy on process). Its concern is over the ability of a government of any political party to achieve its policy aims. There have been too many policy failures in recent years. We believe it almost self-evident that how new laws and policies are devised, explained and progressed in the United Kingdom is in many respects seriously flawed. Their presentation often lacks clarity and intelligibility. Their outcome is frequently unpredictable, the consequence too often of insufficient preparation within the Executive and then over-rapid parliamentary scrutiny.

Our first objective in making our recommendations is based on the presumption that good government should be democratic. Our concern here is not with the institutions of elected representative democracy. What concerns us is that parliamentarians as representatives of the people should readily be able to understand, and therefore appraise, both the ongoing operations of government and the public sector and all proposals for change. So in a democracy should interested members of the public. Hence our concern about the quality of much of the material reaching Parliament and the public from government. Among our recommendations are three which, taken together, we believe of direct relevance to democracy in this regard. One of our early overall recommendations[26] in *Governing Well* is:

— R2: Before policy decisions are taken by the Government, proposals should be thoroughly tested by objective analysis, by drawing on the experience of politicians in Parliament and in Government and of officials (including people familiar with delivery), and by wider consultation.

Supplementary recommendations consider in more detail how this might be done. We make a further recommendation that:

— R20: The Government should commit itself to provide Parliament with full and timely written explanation of its legislative and major policy proposals, normally in the form of Green Papers and subsequent White Papers.

But we go on to say:

— R31: Cabinet Committee papers and, where relevant, Green and White papers, must be expressed in terms that, however technical their content, enable the complete argument to be followed by non-expert readers.

We believe it essential in a democracy that such transparency and intelligibility should be required of all explanatory papers. We believe that a properly functioning democracy requires that not only parliamentarians but interested members of the public should be able to follow all such arguments. We contend that these aims should be among the objectives of improved process.

The second contention of the BGI is that better process should also help politicians avoid making as many policy promises that are not deliverable and instead more often deliver promises that are. Our argument is that better process—both in Parliament and the Executive, neither alone is enough—is a necessary, though not sufficient, requirement for avoiding policy failure and so helping restore public confidence and trust in politics and politicians. Another way of expressing this hope is that better process can help make the likely outcome of policy choices confronting ministers more predictable and therefore increase their ability to select and implement policies that will—and reject those that will not—work.

Some disclaimers are due:

— Good process does not ensure good government, let alone historic fame. Outcomes are never certain. Circumstances change to defeat the best intentions. But it is possible to ensure that new bills, other policy changes, and reorganisations are based on well explained and argued evidence and analysis and so reduce the likelihood of policy failure.

— There never was a time of golden government. Every age has its problems. Some are not susceptible to government treatment. Some are. Some are sufficiently well handled to be judged a success at the time or with historical hindsight. Some are not.

But even had there been a Golden Age, government has become so much larger, complex and demanding that what more or less worked once—there were some implementation failings in every age— cannot be expected to work now. There have been improvements: among them many in the use of cabinet committees and the development of the cabinet system over a long period of time. More recently the creation of the present system of departmental Select Committees in 1979 has increased Parliament's capacity for scrutiny as has the fact that most MPs are now full-time. But these improvements have not been enough to offset the adverse developments.

Among the developments responsible for overloading, complicating and so weakening our system of government in recent years are that:

— The scale, depth, range and complexity of government activity have increased.

— The greater amount of interaction between the UK and other governments—through the EU and otherwise—is adding substantially to the volume of government business.

[26] All references to numbered recommendations in this document refer to our report Governing Well, which is available on the BGI website: www.bettergovernmentinitiative.co.uk.

- There has been a near doubling of the volume of legislation and of regulation since the start of the 1980s. A far higher proportion of bills have entered Parliament incomplete, poorly explained, and requiring substantial amendment, so wasting scarce parliamentary time. Some parts of many bills get scant or even no attention in the Commons.
- The growing concentration of ministers' attention, directly and indirectly, on responding to the requirements of the media lessens the time they can give to their other ministerial tasks.
- The increasing media appetite for new and often instant policy initiatives has led to changes in how the media are staffed and operated that focus on news releases and press conferences, scarcely ever, as used to be the case especially in the broadsheets, on analysing white papers and reporting debates in *Hansard*.
- Constituency business makes greater demands on the time of MPs, not excepting ministers.
- There has been a tendency for some ministers to engage in policymaking with their political and media advisers while leaving subsequent implementation to civil and other public servants, so insufficiently recognising that most significant successful policy and lawmaking requires interactive, sequential and sometimes iterative co-operation and consultation between those responsible at all levels: from ministers through to users and those who will have to implement innovations on the ground.

Also on the debit side are to be set formidable issues now facing the world: how to deal with poverty and illness in many nations, rapidly increasing world population, the tensions resulting from increased migration, the prospect of deficient oil supply, and climate change. Most require imaginative leadership and intricate negotiation at international levels. Much of it involves the deployment of complex technical knowledge. How can we hope to help solve these great problems internationally if we have such difficulty in devising and carrying through systematically such policies within our own boundaries?

Therefore the challenge is not to go back, but how to move forward. Much we propose would not be restoring old arrangements but making new ones. More than half our recommendations have no precedents in the past. The challenge is not to re-create the past but to move forward to a form of government both democratic and fit for the modern world.

Given these ambitions our purpose has been to review and suggest reform both (1) of the processes and procedures through which Parliament and ministers control, or oversee, the body public, that is, existing government activities; and (2) of the processes by which they initiate policy changes, with or without new law, reorganisation or major changes in service delivery.

This difference between ongoing operations and innovation is important in practice. The Executive needs to develop the processes for setting objectives and reviewing performance throughout government and the public sector. Our belief is that on efficiency grounds alone there are dangers in attempting over-centralised management—micro-management—and control. The Executive needs to review and define more adequately the relations it believes desirable between the Centre (that is No 10, the Cabinet Office and the Treasury), Departments, and other public bodies: local authorities, agencies and NDPBs. Parliament should build on its current arrangements for the scrutiny of their operations.

We believe that the proposals of our report Governing Well on lawmaking, and on other policy and decision-making, rank high among what would enable our system of government to function better and so help restore trust in Parliament and Government, in politicians and politics. But it is vital to recognise that too much change can be the enemy of successful change (and of achieving success in ongoing operations). It has been responsible for policy failures as a new or substantially altered policy initiative does not let a previous policy initiative bed down. Excessive change can also lead to substantial waste of resources and undermine the morale of those who must implement the policy. It may dismay users who find themselves faced by frequent and sometimes inexplicable, certainly unexplained, changes in the services they use.

The now ancient principle—central to our constitution—of the accountability of the Executive to Parliament is as good an organising principle for good government as any. We have no view on the division of the business of accountability between the two Houses of Parliament. There would seem enough for both to do. But we do see advantage in a democracy in the elected House increasing the extent to which it is able to, and does, hold the Executive to account, perhaps especially when significant policy issues are concerned.

But there is one area where there would seem to be a particular problem. Another ancient principle is that it is for the House of Commons alone to hold the Executive to account on taxation and public expenditure. Better scrutiny of their financial plans, budgets and results, as well as of public expenditure overall, are of the greatest importance. Arrangements for financial scrutiny of both expenditure and taxation, it is agreed within Parliament, are capable of much improvement.[27] But given the present weakness of arrangements for financial scrutiny in the Commons, there would seem to be a choice: either strengthen those arrangements greatly or consider transferring some of those responsibilities to the House of Lords, which has shown a greater appetite for detail in recent times. It is also relevant that changes in the scale, scope and complexity of government has made adequate financial scrutiny much more demanding than it used to be.

[27] House of Commons Liaison Committee *Parliament and Government Finance: Recreating Financial Scrutiny*, Second Report of Session 2007–08, 21 April 2008, HC 426.

Process improvement is as important for cabinet government as for prime ministerial government. There are many respects in which prime ministers have long been more than first among equals, but for about 200 years Cabinet had collective responsibility for policy, government activities and relations with Parliament. In practice there have been great variations between Cabinets, from prime-ministerial dominance to near equality, depending on the strength of personality and on chemistry between colleagues. Despite such variations there is a strong case for returning to process arrangements which permit genuine collective responsibility, at least on the most important matters. Absolute power can tend to corrupt absolutely. It can plunge the nation into a war more collective thought might have avoided. The mechanisms of collective responsibility may also help prevent even the most strong-minded and energetic of prime ministers from being undermined by exhaustion.

We have mentioned clarifying relations between Government and service providers through concordats or by other means. If it were practical for the Centre to micro-manage everything, such defined and agreed relationships with local authorities and other types of public bodies might not be needed, at least on efficiency grounds (there are of course other arguments for effective devolution of power and responsibility.) We have been involved in making some observations on such a concordat with local authorities.[28] We have not attempted anything similar for the circumstances of other public bodies but we believe this a significant topic for further work.

How does one best enforce process improvements of the kind we are recommending? We have made twin recommendations on this:

- R6: In order to raise the quality of legislative and policy proposals, Parliament should pass a Resolution which sets standards for thorough preparation by the Executive.
- R7: The Resolution should ask the Government for a public response setting out how it will ensure that its proposals will meet the required standards; and ask Select Committees to check compliance before the Government's individual proposals reach the floor of the House.

We believe that Parliament itself is best able to decide how the passage of such a Resolution should be handled. We understand that the House of Commons Procedure Committee has this on its agenda because of the interest in Parliamentary Resolutions for this and other purposes. Other nations resort to statutory or entrenched legislation for such purposes and to judicial review to aid enforcement. Given the inflexibility and demands on time of such approaches, we find preferable the approach we envisage in these two recommendations.

In conclusion, the BGI argues that unless governments change how they work, legislation will continue to lack clarity, improvement of the public services may be fragile, major projects will be delayed, resources will be wasted and the pressures upon those working in Government and the Public Sector will too often be demoralising.

Over the last 25 years or so, there have been policy and administrative successes, but also a series of policy failures. We could all give examples. They are not confined to any one Administration. Is it not time for all parties to accept that at least as promising a way to re-kindle public enthusiasm in politics and politicians is through re-engineering the system to produce carefully prepared policies that work, rather than through endlessly attempting to capture media and public attention with dazzling new policy directions and initiatives that all too frequently sooner or later evaporate?

We believe our proposals set out the conditions needed to improve the processes of government and as a consequence would help deal with the problem of restoring public trust in politics. We maintain that our 50 recommendations, the culmination of some two years' work, would help make our system of government more effective, its outcomes more predictable and understandable, and in these ways contribute to restoring public trust in politics and politicians. Moreover we suggest that something like our complete package of proposals will be more effective than introducing some piecemeal.

Question 2: *Are relations between the centre of government, individual departments and frontline public sector workers organised so that each part of government can do its work effectively? Is there the right balance of powers, operational responsibilities and accountability structures?*

There is no general answer to the question. There are both good and bad examples available. It nevertheless seems to us that there are some general rules. Policies need to take full account of the practicalities of delivery before they are enacted. This is not always the case. Our understanding is that a failure to fully address the practicalities of Defra's farm payment scheme is largely responsible for the chaotic introduction of that scheme.

It is important that all those involved in delivery of policies have a full understanding of the purpose of the policy and a shared view of the criteria for success. This is easier to achieve where there is a clear "line of sight" between those proposing policies and those delivering on them. Good examples in this area might include the service improvements delivered by the DVLA in the management of the tax disc regime or the improvements in service standards at the Passport Agency.

[28] On our website.

Even in these relatively straightforward cases success will depend on the availability of adequate resources of the right type and the empowerment of those charged with the delivery to allow them to do their job without excessive intervention from the centre.

Funding is typically an area of weakness. Policies are embarked upon without realistic costings and people are asked to deliver more than it is possible to do with the funding which is subsequently made available but without resetting expected outcomes. This is a common problem where political ambitions or pressure run ahead of resources or capability.

But many tasks undertaken by modern government are far from ideally structured. Successful delivery in some policy areas is dependent on national, regional and local delivery agents with different capabilities, priorities and pressures. The trend for the centre to add complexity by creating additional delivery bodies with unclear accountabilities—like the Regional Development Agencies—or to control directly existing delivery bodies such as local education authorities makes it difficult for local consumers of services to decide who to hold to account when things go wrong and also magnifies the complexity of delivery.

An example of where these interactions are becoming difficult to manage successfully is the care for the elderly. Here, apart from the two central departments involved, there is split responsibility for delivery between the NHS and the primary care trusts and local social service departments who in turn will be responding in part to guidance from the DoH and the independent inspectorate. There is potential for conflict between centrally set objectives and targets and local priorities. The mechanism for resolving these conflicts is the Local Strategic Partnership. For this mechanism to work the parties to it at the local level must all be free to adjust their activities to meet the objectives agreed in the LSP. That may involve some flexibility around centrally set performance targets and a willingness to accept that the leadership in an LSP might well come from the local authorities rather than Whitehall.

There is no doubt that successful delivery does require the proper alignment of policies, objectives and resources. It is also necessary to empower those charged with delivery. Particularly where the delivery landscape is complex it is important to establish how things will be done before legislation is presented to Parliament. We believe that the German Parliament has the ability to require complex legislation to be tested through simulations—"planspiel"—before it is enacted. This is something we could consider ourselves.

Question 3: *What is the best way of ensuring high standards of ethical conduct among civil servants and public servants? How can high standards of conduct be properly enforced?*

An individual's ethical conduct is governed by three principal factors—the general view of ethics held by the society of which he/she is part; the particular view of acceptable conduct held by the work or social group to which he/she belongs; and the dictates of his/her individual conscience. They all interact, but there is no way that civil or public servants can be expected to maintain higher ethical standards than exist in present day English society—which condones many unethical practices—although we may hope that they are at the higher end of the scale. The dictates of an individual's conscience are set in childhood, but may be altered by experience and maturity.

The best way of seeking to develop and maintain high standards of ethical conduct is, therefore, through the pressures on an individual of his/her fellow workers and professional peers. In the case of the civil service, this pressure is intensified if its members regard themselves as having a common identity, are respected by their employers and treated fairly and uniformly; and their work is open to scrutiny and comment by their fellows.

The duties described in the Bill—"integrity" "honesty" "objectivity" "impartiality"—are requirements common to any profession rather than ethical values. Their ethical import comes when they are considered in relation to any particular action or decision; when they have to contend with everyday pressures, such as simplifying a complex argument for public consumption; framing an argument so that a Minister can be persuaded to listen to it; justifying a decision or position taken by the Government which one personally believes to be wrong. While every individual will have different views about handling such issues, the strongest influence on him/her will be: what would my colleagues think of this? Would they have regarded me as going too far, or of being stubborn and unyielding?

So while there may be some benefit in prescribing the duties of a civil servant as in the Bill (or, preferably, in the terms of the earlier PASC report) that will not secure high standards of ethical conduct. That must come from the civil servants themselves acting in accord with their own values and those of their peers. But this places great emphasis on recruitment policies and training in order to ensure that entrants understand the pressures that they will undergo, and the standards that their colleagues will expect.

The above also answers in part the second question—how are such standards to be properly enforced? The strongest enforcement is through the approval, or disapproval, of colleagues. But more than that is needed when it is appears that public trust may have been abused. This can arise when actions were taken which colleagues did not know about, were unable to influence, or, most serious, when the collective view is that of an internal elite whose practices no longer appear justifiable to the outside world. In that case, there must be proper internal disciplinary proceedings which outsiders, as well as participants, would regard as fair and unbiased. But these may not be enough, and, in that case, there should be the possibility of outside

inquiry—possibly through the auspices of the Civil Service Commission. In these circumstances the statutory words concerning duty may have value in providing a defence, but they are unlikely to fit the circumstances of every individual case.

Question 4: *Do the right incentives exist for public sector workers to deliver policies effectively? For instance, what could complement (or replace) targets for policy and service delivery?*

We take this question as being concerned primarily with the role of measurement and targets in the overall system rather than of pay and conditions (and other aspects of HR management, notably a sense of being appreciated) for individual workers.

A number of the Recommendations in Governing Well (R4, R37, R40 and R41) bear on this question. The BGI considers that measurement of public service achievements is crucial to understanding whether improvement happens (and by how much); whether policies have been successfully implemented; and what adjustments need to be made. Targets and indicators are a key part of the measurement process and, if well designed, are of great value to users and providers of services; to politicians and to citizens: they have helped to lift standards even though there remain large and worrying variations of standard within services and between different parts of the United Kingdom, as much empirical evidence shows. At the same time, the necessary debate about targets, their use and their influence has been overlaid, and confused, in recent years, by wider argument about excessive central control and micro-management.

It is the role of central government to create the conditions, including targets, for professionals to deliver good services. The number of Public Service Agreements (PSAs) and targets or indicators related to them has been drastically reduced and there are now 30 rather than 100 PSAs, many of them cross-departmental, and some 150 indicators, with many PSAs not having targets as such. But the lessons learned have not been just about numbers: other lessons flow from recognising that badly designed targets are likely to demotivate those at all levels in the delivery process and to diminish trust between the people setting targets and those at the delivery end. Equally important is the need to avoid setting targets that provide perverse incentives; and to watch out for unintended consequences. The need, where relevant, to set targets that cross departmental boundaries, thus acknowledging the demands of the real world, has been accepted. However, the recent National Audit Office conclusion that joint targets can help to improve public services comes with the warning that they can be tricky to implement and need strong and well-designed central support. Not surprisingly, ingenious people in the public sector have become adept at beating the system, especially when they feel that it has been imposed from above.

Experience so far points to the need to set targets jointly between those setting them at the centre with the bodies charged with delivery; and to include in the target-setting process the users of services—not treating them as passive consumers. Given better information, for example, NHS patients are well placed to drive improvements. As the NAO found, the complexity of delivering cross-cutting services, and of devising appropriate targets with rewards for success, has to be recognised; so has the hard fact that this may be a time-consuming process. Advances in technology will help but are no substitute for creative thought and learning from experience. It is tempting, but misleading, to adopt slogans such as "carrot rather than stick" or "devolve everything to the lowest possible level". There are genuine conflicts to resolve in aiming to set targets that are simple and also deal adequately with complex cross-cutting issues and with the wide range of public bodies in size and function, for which targets of some kind will be appropriate; and with the choice between equity of service and variety of supply.

We take the view that the best incentive for public service workers is not to dispense with targets but to continue working away at improving them by an inclusive process as suggested here:

- Government must establish some minimum standards, with well-considered targets, and monitor them.
- But continued vigilance is required to keep top-down standards to an inescapable minimum.
- Government must be prepared to intervene decisively in failing services.
- Measurement of service outcome, by reference to targets, must continue in as transparent a way as possible.
- Robust targets require the participation and assent of service providers, professionals and service users.
- The goal should be as small as possible a framework of targets and standards which allows different approaches locally.

Question 5: *Would changing the way in which policy or legislation is made increase the likelihood of successful policy delivery? How well does knowledge from policy implementation feed into policy or law making?*

Much of Governing Well is based on the proposition that, whatever party is in power, the answer to this question is "yes"—changing the way policy or legislation is made would increase the likelihood of successful policy delivery. This view underlies general recommendations R1 and R2 and most of the specific recommendations in R6–R35.

Governing Well makes other recommendations which are not primarily about changing the way policy and legislation are made but are also relevant to successful policy delivery. These recommendations concern: the relationship between the Centre of Government and other departments on their operational activities; the relationship between departments (outside the Centre) and service deliverers (including local authorities); the capability and knowledge of departments; the training of Ministers and officials; and legislation about the civil service (amplified in our evidence to the Joint Committee on the Constitution Renewal Bill (CRB)). These recommendations are not covered here but are dealt with in our other answers, particularly to Questions 2, 4 and 6–8. Nor is R5 which stresses the need to handle pressures from the media "in a way that avoids responses, let alone policy commitments, before the Government is ready".

The BGI believes that progress on all these fronts is needed and should be pursued simultaneously. This requires a comprehensive idea of reform across the board in the mind of Government and preferably of Parliament too.

Question 5 rightly talks in terms of "increasing the likelihood" of successful policy delivery. Changes of the kind Governing Well proposes, in the processes that are normally followed in Parliament and in the Executive, are designed to improve the range of information (evidence, analysis and advice, including advice on any gaps and criticisms) that is available to ministers when they take decisions. But such changes cannot of course guarantee success. Failures can and will occur as a result of:

— departing from the normal processes, perhaps in response to media pressure;

— discounting or ignoring evidence etc; or

— misjudgements made after carefully considering evidence, analysis and advice.

Decisions in government are after all often very difficult. But that is the reason for ensuring that the normal processes do provide Ministers with the best available information when they take decisions. Despite all the familiar political and media pressures, we believe that both altruism and self-interest—though the latter might be sharpened if Ministers remained longer in the same job—will generally lead decision-makers to consider such evidence, analysis and advice carefully. But this depends on introducing and sticking to processes which do provide this information.

R1 and R2 are general recommendations that argue for thorough testing of policy and legislative proposals by scrutiny and analysis and by applying the experience of officials, including people with experience of delivery, and of politicians both in Government and in Parliament. The specific recommendations that follow are designed to ensure that the normal processes of Parliament and Government meet these requirements. The first group of recommendations is about changing processes in Parliament and the Executive's relations with Parliament (R6–25) in order to strengthen Parliamentary scrutiny, mainly through Select Committees. The second group is about processes within Government (R 26–35).

Parliament and the Executive

We propose in R6 that standards of thorough preparation by the Executive of policy or legislative proposals should be established and (in R7) that compliance should be checked before proposals reach the floor of the House. This sounds elementary but experience supports it. Our preference would be for Parliament to set standards in a resolution—we provide a one-page draft in Annex 1 of Governing Well—and for Commons Select Committees to check compliance. We have noted that the Impact Statements introduced by the Executive, which have some similarities with our standards, do not seem to attract much attention or to have achieved much improvement in preparation. But there may be other ways of doing this.

The proposed standards include explaining why a bill is operationally (as opposed to presentationally) necessary; and defining the purpose and intended effects of a policy or bill in terms suitable for use in post implementation scrutiny. These requirements would contribute to the important objective of reducing the present volume of legislation which hinders proper scrutiny and is widely felt to be excessive.

We propose in Rs 9–13 that Select Committees should do more work than at present on tax and expenditure, PSAs, and post implementation scrutiny (since proposed by the Government). These are within the 10 Core Tasks of Select Committees approved by the Commons in 2002. The recent report by the Liaison Committee Parliament and Government Finance and the Treasury's Alignment Project outlined in the July Green paper are a good start on this.

We recognise that the backbench members of Select Committees have other calls on their time than scrutiny, notably dealing with their constituents' problems and supporting their front benches. To help deal with this, we make proposals:

— first for supporting scrutiny and strengthening Select Committees; and

— secondly for undertakings by the Executive that would assist their work.

Greater priority for scrutiny would be helped if it was more effective in securing change. Further progress in getting media attention for Select Committees would also help to strengthen the scrutiny career path. In addition we propose:

- greater freedom from the whips' influence on selection of chairs and members;
- more staff support;
- more pay for chairmen; and perhaps members; and
- more power, including the ability to propose and secure substantive motions for debate (Rs 14–18 and footnote 4).

Undertakings by the Government proposed in R19–R24 should cover:

- providing Parliament with full and timely written explanation of legislative and major policy proposals;
- avoiding or reducing Government amendments to its bills;
- as PASC has proposed, major changes in machinery of government would be accompanied by a written explanation and business case, and if necessary there should be a debate and a vote; similar arrangements would apply when there are significant changes in the delivery structure for public services or in Government guidance to providers; and
- some easing in the control of party whips and introducing a more transparent and inclusive Commons "Business Committee" as in Scotland.

A Framework for the Conduct of Cabinet Business

The proposed principles about collective consideration are intended to ensure that policy proposals benefit from a wide range of political and operational experience. Annex 2 to Governing Well provides a two-page draft framework.

The framework would be published with a Government statement of intention to stick to it and of readiness to be held to account for any failure to do so. It reaffirms the personal responsibility of all Ministers, not excluding the Prime Minister, to submit important decisions to Cabinet or Cabinet Committees and makes clear that the Heads of the Cabinet Secretariats, who are also advisers to the Prime Minister, remain responsible for ensuring that all Ministers are involved in collective consideration of matters in which they have a departmental interest. The Secretariats also have a duty to ensure that proposals are fully, fairly, accurately and clearly represented in papers for Cabinet or Cabinet Committees which, like Green or White Papers, should be expressed in terms that, however technical their content, enable the complete argument to be followed by non-expert readers.

Similar principles apply to National Security issues (R26–R35).

Conclusion

All these proposals for changing the normal processes in Parliament and the Executive by which policy and legislation is made are intended to ensure that as much evidence, analysis, experience and advice as possible is available to political decision-makers at the different stages of decision. We believe that, whatever party is in power, these will increase the likelihood of successful policy delivery.

Question 6: *Is effective policy implementation hampered by too much change—whether in the form of constant new initiatives, or wider structural reorganisations? How does this affect public sector workers' ability to deliver policies?*

The Better Government Initiative has made 50 recommendations to improve the processes of government. The consequence of such improvement should be to avoid many policy failures. It will not be possible to realise this improvement and avoid failure, however, if there is constant policy change and structural reorganisation.

A way of demonstrating this is to consider the stages of preparation one needs to go through for successful major change as Sir David Omand[29] does in the unpublished paper, based on his own research and teaching, which is annexed to this evidence. Careful preparation takes time. It is essential for the introduction of new legislation, for other major policy changes and for major reorganisations. Time is needed not only to get right the initial design of a new policy or structural change but also to implement it and allow it to bed down. To allow one policy or organisational change to follow too quickly on another is bound to be disruptive, result in wasted resources and may well lower the morale of those involved.

[29] Currently Visiting Professor, King's College London; formerly Permanent Secretary at the Home Office, the Cabinet Office and GCHQ and Policy Director of the Ministry of Defence. He is a member of the Better Government Initiative Committee.

Almost annual major changes in the National Health Service are counter-productive both because insufficient time is given for their preparation and—a separate point—too little time is given for them to bed down before those involved are overwhelmed by another policy initiative or organisational change. The same applies to the almost annual Criminal Justice Acts and changes in the National Curriculum for Schools. To take a rather different example, some two years ago there was a major change in the procedures for making judicial appointments. Before it has had time to settle down or to show evident shortcomings the Constitutional Renewal Bill will introduce another major change.

Such rushed policymaking leads to flaws in design and a flow of new legislation that the Government cannot properly prepare and explain to the public and Parliament cannot properly debate and scrutinise. It also means that far too many changes cannot be adequately consulted over and then designed and implemented effectively on the ground. The consequence can be unsatisfactory for users and demoralising to staff.

Question 7: *How adequate are existing mechanisms for judging government performance, such as departmental capability reviews and public service agreement targets?*

It is important to recognise that departmental capability reviews were not intended as a means of judging government performance. Their focus is on the Civil Service rather than departments as a whole including the contribution of Ministers and, in the case of delivery, other delivery organisations. Their aim is both to equip departments to deliver today's objectives and to help departments act on long-term key development areas.

We think these are valid aims and that the process has identified useful improvements in departmental capabilities. The partnership nature of the exercise involving the Centre, departments themselves and outside reviewers seems to have worked well. The challenge is to deliver tangible improvement in a manageable number of high-priority areas.

Although the nature of the exercise was clearly set out at the beginning, there has been external confusion about its link to performance and about how far it enabled cross-departmental comparisons and the construction of league tables. We understand that each review was conducted in the context of the particular challenges faced by the department, that these challenges differ substantially in difficulty, and that departments differ even more radically in the scale and nature of their management challenges depending on the nature of the delivery systems in their areas of responsibility. All this is much more difficult to capture and compare than in, for example, performance measurement in local government with more common objectives, responsibilities, and a small number of generic Council types. This offers fruitful scope for comparison against common benchmarks taking account of differences in the socio-economic character of the populations served by Councils.

This said, performance would seem an important indicator of capability and the link to objective performance as opposed to subjective assessment of capability seemed opaque in the first round of reviews. Nor did performance against PSA targets seem to provide a confident basis for assessing capability which itself raises important issues. We believe there is more scope for devising performance benchmarks at least for some processes common to at least clusters of departments with similar characteristics. We also believe that, in assessing performance at a high level in relation to desired outcomes, international comparisons have a potentially important role to play (eg in key measures of economic performance, health and education).

We believe that a PSA target system has a potentially useful part to play provided it meets a number of tests:

- Targets and expenditure provision should be agreed together to provide a realistic level of challenge (we have the impression that they are in practice in some high-profile cases settled separately).
- High-level targets should be as far as possible outcome based and measurable (not always an easy combination).
- Targets at all levels should be aligned with the broader objectives of Government as a whole.
- Targets in service delivery areas should be determined after consultation with customers/clients and front-line deliverers.
- Targets should allow for local priorities and local variation to reflect particular circumstances.
- The total burden on front-line deliverers needs to be manageable.
- In framing targets the law of unintended consequences should be a constant preoccupation and the risk of distorting behaviour in undesirable ways always systematically analysed.

Against this background we believe that the changes the Government has introduced to the PSA system, with a smaller-number of cross-departmental PSAs, are potentially valuable, including through incentivising more corporate behaviour. PSAs are, however, just one part of the total target architecture and we remain concerned about the total target burden at all levels in government and its effectiveness.

Question 8: *When weak performance in government is identified, are the right things being done to correct it? If not, what should be done about poor performance?*

As our title "Better Government Initiative" suggests, we were set up because of concerns about performance, and we see all the recommendations in Governing Well as ways to improve performance. The answers to all the other questions therefore are relevant to improving performance. This section focuses on performance in service delivery, which has caused particular concern in a number of areas like education and health.

Service delivery typically involves a delivery system which includes Government Departments, local government, NDPBs and "intermediate" health bodies, and the front line providers of services. The first requirement is a clear statement and understanding of the roles of those involved in the delivery system at each level, and the right relationships between them. (See Recommendations R37 and R38). This means:

- for Government Departments the focus should be on strategy and policy development, on securing and allocating resources, on establishing key objectives and a limited number of targets to be achieved with the resources provided, and on performance management. But Departments should avoid micro-management of service deliverers, frequent "new initiatives" and frequent changes in policy or delivery structures and systems which can divert those concerned from their prime task of effective delivery;
- for local authorities, NDPBs and NHS Trusts the prime task is the successful operation of the services for which they have a responsibility. Again they should avoid micro-management of the front line deliverers and frequent changes of direction, but should have clear objectives and targets and good performance management systems so that they can quickly pick up weak performance and take corrective action; and
- for front line deliverers (eg schools, hospitals) the prime task is effective delivery assisted by clear strategies and plans, good leadership and senior management, strong financial control and well trained and motivated staff, and a focus on the needs of their clients.

At every level there need to be arrangements to check from time to time how effectively the function of the body concerned is being performed. For Government Departments, Capability Reviews could be used for this purpose; for local government and NDPBs and for front line deliverers, periodic assessments and inspection. In carrying this forward it is important to relate the effort and frequency to the performance of the institution concerned. For example inspections for poor performing institutions should be more frequent and probing than inspections for strong performers for which the approach could and should be lighter.

The relationships between Departments, local government, NDPBs, and front line deliverers are also crucial. They should be challenging but not hostile. And they should not just be "top down" but also "bottom up", incorporating arrangements for feeding back information, experience and views from the front line to the centre to influence the development of policy. It may be helpful to set out these relationships in writing agreed by the parties concerned as for example in the recent "Concordat" between central and local government (see R44 and R45). But what is most important is maintaining the right attitudes between all those involved in public service delivery systems, and the right actions in practice.

Finally, to tackle weak performance in the front line of the delivery of public services it is important to have arrangements in place which can be activated rapidly as the need arises. They should include:

- good performance monitoring and inspection arrangements available so that poor performance can be identified rapidly; and
- possible action to be taken where weak performance or failing institutions are identified. This can range from agreeing a specified period with clear targets and possibly assistance available for poor performers to turn themselves round, changing the leadership and senior management, to the closure of institutions or their take-over by successful institutions.

All the above points have been made to us in preparing Governing Well and in subsequent discussions on our recommendations. If they were applied across government and used appropriately we think they would provide a comprehensive way of improving weak performance in service delivery.

Question 9: *What can we learn about good government from instances where government gets it right?*

The BGI report Governing Well includes a wide range of recommendations, drawn from earlier reports and conferences, for successful government. They can be considered in three broad groups:

- recommendations on initial development of policies;
- recommendations on strengthening the capacity and specialist expertise of government departments; and
- recommendations on the relationship between government and other deliverers of public services.

The recommendations on development of policies focus on the need for informed, thorough and objective analysis at the initial stages, drawing on expert knowledge and experience—especially from those who will be responsible for implementation—and on wider consultations which will help to bring to light aspects that

might otherwise have been overlooked. We propose specific procedures for the conduct of Cabinet business designed to help achieve this. In general, we advocate a measured, balanced and professional approach which, as stressed in our earlier reports, avoids over-hasty commitments in response to media pressures.

The recommendations on the capacity of government departments cover the recruitment, promotion and training of civil servants to develop and maintain high levels of expertise in their areas of responsibility while preserving the political impartiality needed to provide candid analysis and advice. We propose a rebalancing of the relationship between departments and the centre of government so that the centre concentrates on its essential strategic role and does not become over-involved in the operational activities of departments. At the same time, departments should strengthen their expertise in relevant research, target setting and performance analysis. We also advocate appropriate training for ministers, and we have noted that too frequent moves of both ministers and senior staff can erode the store of departmental expertise.

The recommendations on the relationship with service deliverers start from the premise that the complex processes involved in providing public services cannot be successfully operated by remote control. We consider that the best results will be achieved if service deliverers such as executive agencies, NDPBs, the NHS and local authorities have clear and stable objectives against which their performance is measured but are not micro-managed by departments or the centre of government.

Finding cases where the application of these three sets of recommendations can be attested to have led to good government is less straightforward than might appear. The process of policy formulation within government is confidential and it is not possible to follow it through step by step from the initial conception to a final successful outcome; lessons are more easily learned from instances where government has got it wrong, and the visible failures shed light on deficiencies in process.

Examples of government getting it right are less obvious; there are normally no striking events to draw attention to the quiet successes of well conceived and successfully implemented policies. However we considered a range of examples in framing our recommendations which do, we believe, support our proposed approach. National Audit Office (NAO) reports provide a particularly useful and detailed source of information:

- The NAO value for money report Dealing with the Complexity of the Benefits System paints a picture of the Department of Work and Pensions and its agencies working together to pursue a series of carefully thought-through step-by-step changes designed to increase efficiency and service quality and to make an inevitably complex system more comprehensible to its clients and less subject to the risks arising from unforeseen interactions. The many different parties involved respect each others' areas of competence.
- The NAO report covering the construction of Section 1 of the Channel Tunnel Rail Link on time and at a cost slightly below the target provides another example of good outcomes achieved by careful preparation and departmental expertise in setting the terms of the contract, realistically assessing the likely costs and ensuring that the contractors had a clear brief and were free from any attempts to micro-manage from above.
- The report on the rollout of Jobcentre Plus, transforming the Jobcentre and Social Security estates into a modern office network while maintaining service delivery and securing significant savings, stresses the importance of consistent leadership, detailed planning and a clear understanding of the roles of key stakeholders.
- The Department of Transport's One Stop Service Strategy has made a wide range of services available electronically. The NAO examined six services, including booking driving tests and buying car tax, and concluded all were achieving high levels of customer satisfaction and likely to lead to financial savings. Success factors identified included staged launches, allowing scope for ironing out teething problems and gauging customer reactions, and consultation with customers during the development of services.

A much more high-profile example of government getting it right was the Northern Ireland peace process. Here, clarity of purpose, sustained effort and a refusal to be deflected by media pressures ultimately led to an outcome that was more successful than expected or, at some stages, even hoped for.

All of these examples reflect, in varying forms, our own recommendations for professionalism in government: developing and sustaining departmental expertise in planning and overseeing projects, including the setting of realistic estimates and timetables; ensuring that delivery agents are not micro-managed but are provided with clear objectives against which their performance will be monitored and a stable framework within which to operate; and enabling all those involved in the provision and use of services to contribute fully to the development of policies.

The media focus on headline-grabbing initiatives and "quick fix" announcements can undermine this approach and help to add to the catalogue of policy failures. Although inspirational government decisions can lead to remarkable results they are, by their nature, rare. Most of the business of government relies on expert knowledge, thoroughness, and a good understanding of the appropriate roles of many contributors in carrying out routine and often humdrum tasks. That is not to imply that the work should become automatic and unthinking: the willingness to challenge and to be challenged, and the drive to innovate and improve, are key aspects of the professionalism we advocate.

Where policies are genuinely inspirational, perhaps representing a clear break with what has gone before which might involve hidden dangers, it is all the more important to ensure that the procedures for developing and introducing them are rigorous and draw on the full range of knowledge and expertise available from Ministers and advisers, a professionally trained and politically independent civil service, those who will be responsible for delivery and the members of the public who will be directly affected.

Annex

Memorandum by Sir David Omand KCB

ENSURING POLICIES REFLECT REALITIES

Introduction

Yes, the pace of change has indeed had a cost to the public in terms of diverted resources and management attention—and scarce nervous energy—away from the day job. But change is both inevitable (the nature of modern life) and necessary (adapting public services to new international circumstances, technological possibilities and public expectations). The real question is whether policy making itself has adapted to this constantly changing world.

Effective policy implementation depends on the alignment of three very different influences: the political priorities and strategic vision of the Government concerning the outcome from public service concerned; the Departmental management of the delivery of the service turning the initiative into a set of workable policies for implementation; and the "front line" that has the practical wisdom that comes from direct daily contact with the customer. It is patently not enough to have bright ideas that the management cannot implement (and may not even have been consulted about in advance). Nor is successful implementation likely if the knowledge of the front line about real needs and problems has not been captured in policy formulation. How many recent policies have come upwards from front line experience of need rather than top down?

Many of the difficulties experienced by Government in the satisfactory delivery of its policies could have been avoided if this simple question had been asked at the outset of policy formulation: "Who will be in the room when the decision is taken?" The question is intended to provoke a reminder of the need to connect the aspirations of Ministers and other policy makers for improved outcomes with the realities (including competing priorities) faced by Departments in working out policies to govern implementation and by front-line professionals in delivering them. Most policy (and military) disasters flow from policy making driven by high level central priorities but divorced from the world as experienced on the front-line.

To provide a satisfactory answer to the questions requires positive assurances at each of three levels:

- Do Ministers and others with the key policy-making roles have themselves sufficient feel for the current circumstances of front-line delivery to be sensitive to how the policies will be received and executed in practice, and thus be led to ask the right questions? This is not just about what policy makers "need to know" in detail about work on the front-line but also about what they "need to understand" about those that work on it, particularly in being open to listening to inconvenient voices.
- Is there confidence that the proposed policies incorporate learning and fresh ideas from the front-line about what will best secure the policy goal? Does the proposal capture best practice as it would be recognised by front-line professionals? Who in the room has the up to date knowledge, or ready access to those in contact with conditions on the front-line, to answer for this being the case?
- In addition, who is there in the room to speak for the implementers down the delivery chain, and to provide assurance that proposals have been sufficiently tested in terms of professional judgements on achievability, timescales and resources as well as the management of knock-on effects on other priorities? Is there someone in the room who will accept responsibility—and has the necessary authority—for ensuring outcomes on the ground in accordance with the policy (as for example the Chief of Defence Staff will when Ministers, having consulted their professional military advisers, decide to commit the Armed Forces to an operation)?

This note examines each of these three levels of engagement between the policy decision-making circle and the front-line professionals and suggest ways of improving the connections. The paper first looks at the context for contemporary policy making; at the limitations of the concept of the "front-line" and at the cultural issues around engagement of the professionals.

The Policy Making Process

In this paper, the term "policy making" is reserved for the activity of decision taking on policies. For major policies this is invariably a political activity whereby decisions are made collectively by senior Ministers of the Government of the day, themselves accountable to Parliament. The last decade has seen a decline in the number of policies subject to collective decision making in Cabinet Committee, although this is now being

at least partially redressed, with a beneficial effect on the extent to which new policies are exposed to critical testing before decisions are taken. Part of that testing should include questioning of the extent to which up to date front line thinking has been incorporated into the proposals and the evidence for that.

The term "policy formulation" is used for the process of putting together policy proposals for consideration by Government, often involving alternatives, with risk and other assessment of their likely effect and cost. Policy formulation ought to be a key function of the senior Civil Service, working with Ministers and their special advisers. As discussed below, such preparatory work must involve the drawing-in of experience from the front line from the earliest stage of thinking about the policy issue.

Policy making and policy formulation are not however activities reserved to senior Ministers and their "policy staffs" either in the centre of Government (No 10, Cabinet Office, and HM Treasury) or in the centre of Departments. Policies form nested hierarchies all the way down the delivery chain.

The best results usually come when the central policy initiative takes the form of a clear statement of strategic direction and intent (for example to introduce enabling legislation at the earliest opportunity), following close consultation with Departmental policy makers so that they are ready to formulate increasingly detailed policies and plans at successive levels to give effect to the new direction. Significant presentational difficulties are likely when central policies are announced to the wider public before the front-line professionals have had the plan explained to them. A potential negative reaction will be all the more likely if the language in which the proposals are announced does not chime with the way the front-line themselves debate the issue. Their response, either directly or through their professional bodies, to top down announcements is likely to be sceptical, or even hostile, since they will then not recognise the terms of initial public debate as fitting their knowledge of front-line circumstances.

It is rare that a central "policy" can be given directly to the front-line for implementation in the terms in which it is conceived in central policy discussion. Significant interpretation of policy and translation into operational language has to be added by management at successive levels in the hierarchy. The new policy thrust may well then clash with other priorities or other with policies already in force.

Having central policy makers directly attuned to the front-line can thus be seen to be a necessary condition for success. But it is not a sufficient condition. Indeed, there can be positive dangers in encouraging the idea that provided they are sufficiently in touch with front-line professionals central policy makers can cut Departmental management out of the loop. Someone sufficiently senior, who accepts executive responsibility for implementation of the policy, has to be figuratively, and preferably physically, "present in the room when the decision is taken" to enforce consistency down the delivery chain in support of the central policy initiative.

The Concept of the Front-line

Better engagement and connection with front-line workers in the design and development of policy will lead to better, more effective, policies at the sharp end of delivery. There is, however, a caveat that need to be entered, concerning what is implicit but often misunderstood in the shorthand expression "front-line professional".

The caveat concerns the dependence of the front-line on backroom or headquarters support for effective functioning. Nurses and doctors are front-line professionals but so are the technicians in the laboratories who will have to cope with, for example, expansion of screening programmes, and the private sector cleaners on whose work the control of infection rests, or the HR teams engaged in recruiting hard to find skills. Equally essential to other high level policies such as contestability or choice are the finance and IT managers providing the information without which informed decisions cannot be made. Similarly, much of the acute public criticism of the Government over the care of wounded soldiers stems from decisions made by the MOD many years ago as part of a "front-line first" exercise that overdid the switch of resources from unseen supporting services to visible combat units, under the slogan of improving the "teeth to tail" ratio. It is no coincidence that current MOD initiatives are presented as "team defence". It is not just the obvious "front-line professionals" who need to be engaged in policy formulation, but all those groups whose contribution will be needed to give effect to new policies. The use of the term "front-line" in this paper should be read in that context—and the term should be used very sparingly in public discourse.

The Role of the Professional

A second caveat concerns the status of "professionals" in the policy process. There are obvious public service groups subject to professional inspection and regulation of their conduct, such as the police, nurses, doctors and lawyers. Other groups such as the Armed Forces, the judiciary, the scientists, economists and statisticians, and intelligence agency chiefs, would rightly assert a comparable special status for the advice they give to be regarded as "professional": it is always open to Government to choose not to follow such professional advice but it is not open to Government to rewrite the "professional" advice they are given or cherry pick from it. Border agency staff, DEFRA environmental officers, planning inspectors, prison, probation and Court staff, HR and finance experts, Coastguards, Met Office forecasters, merchant seamen, and IT programmers are just examples from the huge range of professions employed in the public service.

Nor is expertise confined to professional groupings: the "generalist" civil servant may well be an expert in Bill work and navigating safely in the sometimes dangerous space between the political, legislative and executive functions. In presentational terms some high profile professional groupings can certainly more readily catch media attention if they express doubts from the sharp end about a policy proposal. The reality of delivery is however that the need for knowledge capture is from all those whose contribution contributes (or absence of contribution can frustrate) the success of a new policy. The use of the term "professional" in this paper should be read in that wider way, and in public discourse it is usually more effective to promote a "team" approach rather than to play to the image of "the front-line professional".

Increasing Awareness of Front-line Conditions

It is obviously desirable that there should be a high level of "feel" for the conditions at the sharp end on the part of those formulating and making policy, whether in the "Centre" of Government itself or in the centre of Departments.

It may be helpful to think about improving the "feel" for the front line by operating at five levels. What is needed is:

- An understanding of the general mood of the front-line, and their tolerance of fresh change (in large part a function of what has gone before and the level of scepticism—not to say cynicism—that may have been engendered, key information for shaping the presentation of new proposals). Key information that the central policy staffs need is often less about the specifics of front-line work and more about basic experience of delivering change in large or complex organisations.
- A shared description of the past narrative that the public and front-line professionals will understand as an honest expression of where they have been, are now, and can therefore reasonably be asked to go next. Preferably this should be an account that captures the local professional pride in the job and recognition of the efforts being made. When performance is below expectations it will be tempting for central staffs to point fingers but "Ratnerisation" comments are always a mistake.
- An evident willingness by the policy staffs to explore the inevitable constraints of time, staff, skills and money that will always apply at the sharp end and to have a grounded view of how long change really takes before results become evident. This is territory that is very vulnerable to stereotypes on the part of central staffs and front-line alike, and from which much mutual misunderstanding can arise.
- An understanding of the inevitable knock-on effects that any new policy will have on existing policies and priorities. For the central team nothing is more important at that moment than their new policy: for the front-line there will be a raft of competing objectives, none of which are usually reprioritised when the new idea comes down the line. Again this is a fertile source of discord in the acceptance by the front-line of new policies.
- A willingness to seek out ideas and practical experience from the sharp end to improve the soundness of the policy itself. (And thus help convince the front-line that the policy is in practice a good way of delivering the sought for outcome and not just a response to media or political pressure for a new initiative.

In the "Centre" of Government, those working on areas of policy will usually have acquired considerable understanding of the issues. What is harder is to have the "feel" for conditions on the front-line that can provide, often unconsciously, the prompt for rethinking proposals or deciding to engage in consultative exercises, and in questioning how their presentation to the public is likely to be interpreted by the front-line. Past experience is of course highly valuable, but may not be up to date or cover all the interests (social work experience for example may not be a guide to how police services will react). Different areas of policy will have different needs and groups to consider but the following factors may help:

- Sympathy and understanding for those at the sharp end of policy. That should be a visible part of the ethos of the policy world. Very busy, very clever policy people need reminding of what life outside the centre is like, where there is not the same sense of certainty about the right thing to do. The reason staff get themselves recruited for central policy posts is usually that they are smart, well-informed and quick on the uptake as well as being effective in small group interactions. Their practical understanding of how organisations employing large numbers of different professionals are run is likely to be limited and policy team leadership needs to explore with their teams the implications of such experience gaps where they exist.
- Flowing from the above, visits by policy staff to the front-line, and visits from the front-line professionals, should be encouraged, particularly in the early stages of policy formulation before specific proposals emerge. Policy staff need to encourage ideas to flow upwards from the UK (including where relevant experience in Scotland, Wales and Northern Ireland) as well as the usual think-tank recourse to international comparisons. It will clearly help to have close and transparent working relationships between policy staffs in the Centre of government and opposite numbers in Departments, so that the contacts with the front-line become a collaborative enterprise and not a competitive one.

When specific areas of policy are being worked on it may help to have attached to the policy team one or more individuals with very recent front-line experience. As noted above however, care is needed not to encourage policy staffs to bypass the "chain of command" for the management of delivery.

Secondments for limited periods of policy staff to gain experience of being with front-line professionals can be arranged, and would help fill experience gaps. Many Departments have programmes of "acquaint" visits to their operational areas for their own staff and it should be standard practice for Central policy and Secretariat staff involved with those Departments to be invited as a matter of course (it has been the MOD practice for many years to include central Departments in programmes of visits by MOD civil servants to warships and other combat units). Those recruiting policy staff should also be encouraged to continue to look beyond the normal pools of central Departments to widen the experience base in the Centre.

Departments themselves can do much through their posting policies to encourage talented high-flyers to spend time in jobs that bring them into close contact with front-line professionals. The MOD for example provides each Commander in Chief or operational Commander with a Command Secretary or Polad which provides invaluable experience for civil servants of living and working in a military environment. By osmosis through close contact with officers of all three Services a young civil servant can become later a much more valuable contributor to policy formulation, and for example be well equipped later to work in the Cabinet Office coordinating overseas and defence policy or supporting the Joint Intelligence Committee.

All the ideas above apply pari passu to broadening the experience base of Departmental policy staffs as well. In addition, Departments can:

— deliberately organise their own policy staffs to be led by a professional with the appropriate qualification. This may be, for example, where the team has delegated authority to take specific decisions (such as authorising the use of new clinical procedures) and a professional endorsement is essential for acceptability, or at least credibility;

— include in their policy teams professionals and those with recent front-line experience, either in an explicit advisory role or as members of the line management in the team. This is not the same as having professionalised such teams but provides the policy team with ready access to up to date knowledge or to those in the field they ought to consult; and

— set up specific arrangements to capture, develop and disseminate front-line thinking. In MOD an example would be the Combat Development Staff, whose output would take the form of written guidance on operational doctrine, the conduct of operations and input into training and development of individuals and exercising of units and equipment development. Such functions usually go beyond capturing "what works" and "best practice" and involve those with recent experience building on their work to develop new ideas, concepts and doctrine: those in turn can become powerful drivers for future policy (another example would be the development of intelligence-led policing and the current work of the National Policing Improvement Agency).

A feature of major policy making is that it usually brings together the contributions of different parts of government, and often the private sector, in delivering the policy on the ground. Policy teams need therefore to be conscious of their role in joining up the components of the delivery chain. Perceptions may well differ between the different professional groupings of the merits of a policy change—nurses and doctors may for example react very differently to new concepts of patient care, as may Prison Officers and Probation Officers to new correctional policies. And quite apart from what they think of the policies themselves, there may be very different perceptions out there of the policy makers who created them. In such cases there is value in much more systematic evidence gathering of the psychodynamics of the interaction between these groups.

A related point concerns the state of morale on the front-line and thus the likely active support for further change. Even where such change is being advocated explicitly to alleviate some of the burdens on the front-line that is not how it may be perceived. The terms of the discourse are important—at its simplest some phrases that are the commonplace of policy think-tanks are likely to be felt as highly insensitive.

Recognising Obstacles

This discussion leads to a simple conclusion, the value of enhancing contact with the front-line. Why has this situation arisen? There are a number of obstacles in the way of what we might regard as a close and open relationship between policymakers and those who have to carry out their policies at the sharp end.

A first factor that may contribute is a misperception on the part of some Ministers and SPADs that since it is the Government that in the end makes policy, policy-making is essentially an activity for the politically committed. To that can be added the eagerness of the media to generate political controversy over future policy direction (and to allege U-turns) before policy is decided. The result is policy-making behind closed doors between small numbers of Ministers and Special Advisers, possibly also including a few trusted experts known to be "one of us". A caricature, admittedly, but when such circumstances arise it is unlikely that there will have been sufficient input of front-line experience or the right level of engagement of those with the executive responsibility to deliver the policy.

A second contributory factor lies in the old "fast stream" policy culture still present in parts of the Civil Service where the emphasis is on the power of intellectual, not to say forensic, analysis to solve policy problems at an abstract level, with correspondingly less weight being given to the lessons of experience and the priorities of those who actually have to deliver the outcomes sought. This too is a caricature, but like all caricatures captures something of the truth.

June 2008

Further memorandum from the Better Government Initiative

This memorandum, further to the paper which we submitted on 1 July 2008, deals mainly with aspects of good government where the role of the Civil Service is important:

- Criticisms of civil service performance.
- Excessive change in all aspects of government.
- Civil service values.
- Quality of legislation.
- Respective roles of ministers and civil servants.

The memorandum draws on evidence given in the Committee's four oral sessions on July 17, 16 and 23 October and 26 November.

A leading theme in these sessions has been the importance of effective delivery of services or other outcomes and the extent to which shortcomings in civil service management or culture, with its traditional emphasis on policy advice, have impeded this aim. Particular criticisms have been made of disconnection between policy decision and effective action; lack of professional skills; inadequate training; misguided recruitment policies; faulty management structures in departments, and between them and delivery agencies; and failure in the use of targets and performance indicators. Yet, as witnesses acknowledged, much has changed or is in the process of change, including:

- Wider sources of advice to ministers from special advisers, including specialists in relevant fields, and from outside sources.
- A broader programme of training and recruitment, including many outsiders recruited direct to senior posts and insistence on practical outside experience for promotion to senior.
- Other actions to raise the status of delivery in Whitehall and to build skills in performance and project management—some of this stimulated by NAO and Audit Commission reports and the programme of Capability reviews.

We welcome these changes, believing that they are on the right lines for dealing with the valid criticism made—though we are in no doubt, as your witnesses have said, much remains to be done. One clear message emerging from the Committee sessions, as from our own published work, is that the attempt to divorce policy–making from its delivery is misguided: the two are inseparable.

But factors other than civil service performance contribute to failure in implementing government intentions. High on the list is a point made by Sir John Bourn and others, including former ministers, about the damage done by frequent changes in all dimensions of policy formation and delivery—in policy itself; in the structure of departments and delivery agencies; and of people, both ministers and officials. Each of these processes of change has its own justification, but the resulting turbulence both damages the delivery of individual policies or programmes and undermines departments, whose collective memory and experience is an invaluable resource. Related to the damage done by excessive change is the common failure, noted by Tim Burr and Steve Bundred and other witnesses, to spend enough time on the design of new schemes and testing them for realism. David Blunkett and Peter Lilley, among others, emphasised the importance of including in the design of new policies or initiatives people with frontline experience, those who would be responsible for implementing it and some who take a sceptical view about it and in all these cases can feel free to offer frank advice in the expectation of being listened to.

The BGI has strongly supported the proposed legislation to put the Civil Service and its core values on a statutory footing. We were impressed by Kenneth Clarke's observation that "The relationship between the politicians and the civil servants has changed very badly. We have taken to absurd lengths the idea that politicians lay down policy and civil servants deliver. . .. They [civil servants] will administer things better if they play the key role they used to have in the formulation of policy. Frank and fearless advice and actual involvement all the way through in the formulation of policy can spare the minister an awful lot of chaos and anguish". Preparation of legislation illustrates this continuum between policy formation and its delivery on the ground and failure to recognise and act on that accounts for much of the criticism rightly made of the quality of legislation. We have argued in our report Governing Well both for reducing the volume of legislation and for specific changes in the way in which legislation is prepared to raise the standard of legislation and policy, including pre and post legislative scrutiny and the publication of well-expressed Green and White Papers.

There are situations where one or more individuals are at fault, and in those cases we believe that they should face disciplinary action, but avoiding an atmosphere in which civil servants are inhibited from giving frank, if unwelcome, advice. But beyond such cases there is a systemic problem about the respective roles of ministers and civil servants (and delivery agencies generally). Sir Steve Robson (Q83–84) said that "delegation. . . is a good route to go but it is only going to bring profound benefits if ministers cease to be responsible for micro issues", adding that ministers "account for the broad policy, they account for the structure they put in place. . .. they account for the top hires, and they account for the incentives they give their top hires—and that is it", observing that so long as ministerial responsibility exists, "delegation is not going to bring the benefits it can do because it is never going to be real delegation". Geoff Mulgan and Matthew Taylor appeared to be making similar points, suggesting that it is for ministers to have the vision and the strategies and for others—like officials, agencies and regulators—to implement.

Sir Richard Mottram put the issue differently: "There is an intrinsic issue in democratic government between the focus and interests of ministers in the political process and what is required in order to manage very large organisations. . . which need to be managed on a consistent and coherent basis over a long period". We believe that some clarification of the roles of ministers and officials would be helpful, though not a formal attempt at definition. The need is for a basis for the close cooperative working between ministers and their permanent secretaries based on a common understanding of their respective roles.

We would be interested to learn if the Committee sees merit in Sir Richard Mottram's broad suggestion: "to take a business analogy—and big departments are not businesses. . . big departments should be run on the principle that the secretary of state is effectively the executive chairman for strategy and policy, and the non-executive chairman for the leadership and management and proper conduct of business of the department, and the permanent secretary should be held to account for all of these things".

In our minds the connecting thread between the issues raised in this memorandum is that good government depends on establishing and maintaining confidence between ministers and civil servants; government and Parliament; and between all of these and citizens.

December 2008

Memorandum from the Committee on Standards in Public Life

Executive Summary

The Committee on Standards in Public Life is pleased to submit a response to the Select Committee's question on the best means for ensuring high standards of ethical conduct in government.

The Committee believe that the majority of public servants in the UK observe good ethical standards. In our view the most effective way to maintain high standards is to find ways of supporting those who act honestly and with integrity while ensuring that the few who are minded to breach the rules are discouraged from doing so, and that breaches of the rules are detected and addressed appropriately. The Committee has set out a statement of principles—the Seven Principles of Public Life—which need to be reinforced through codes of conduct, through independent scrutiny and through guidance and training.

This framework has helped to clarify expectations of public office holders. The key to achieving long lasting improvement, however, is to ensure that the commitment to high ethical standards is embedded within the culture of public service organisations and in the personal values and belief systems of civil and public servants.

Introduction

The Committee on Standards in Public Life (CSPL) is an independent, non-departmental body which reports to the Prime Minister with policy recommendations to ensure the highest standards of propriety in public life. It was established in 1994 by the then Prime Minister, the Rt Hon John Major MP.

John Major gave the Committee broad terms of reference:

> "To examine current concerns about standards of conduct of all holders of public office. . . and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life".

The Committee on Standards in Public Life is pleased to be able to respond to the Select Committee's call for evidence for its inquiry into Good Government. Our response focuses on question three—"What is the best way of ensuring high standards of ethical conduct among civil servants and public servants? How can high standards of conduct be properly enforced?"

This response draws on the Committee's work and observations over the last fourteen years in reviewing, researching and promoting high standards of conduct in public life in the United Kingdom.

QUESTION(S)

"What is the best way of ensuring high standards of ethical conduct among civil servants and public servants? How can high standards of conduct be properly enforced?"

These two questions are at the core of the Committee on Standards in Public Life's remit and work.

The Committee's First Report outlined the principles of public life, the ethical values inherent in the idea of public service.[30] The Committee made it clear that the Seven Principles of Public Life[31] are applicable to all public servants.

In the same report the Committee identified mechanisms to ensure that the Seven Principles are understood and reflected in all areas of public service. These common threads are:

— Codes of conduct.
— Independent scrutiny.
— Guidance and training.

It remains our view that the best way of ensuring high standards of ethical conduct is to establish clear principles which are implemented through codes of conduct and reinforced through guidance, training and proportionate independent oversight.

CODES OF CONDUCT

The Seven Principles have now been incorporated in a complete or modified form into the codes of conduct of public bodies across the UK.

Codes of conduct are not, of course, of themselves sufficient to guarantee high standards of conduct. Ultimately public office holders have personal responsibility for the decisions and actions they take. No statement of rules will address every permutation of ethical dilemmas in the public sector. Nor is it always easy to reflect some of the complex ethical dilemmas public servants face into a code of conduct.

An excessively rules based system can be counter-productive. There is a risk that it could encourage a tick box approach towards good conduct. However, as part of a wider framework, codes of conduct can help to communicate the importance of standards of behaviour, provide clarity about what is and what is not acceptable and offer a means of adjudicating disputes.

PROMOTION OF HIGH STANDARDS OF CONDUCT

In its First report the Committee noted that the promotion of high standards requires those in senior positions to set a good example; and for effective procedures to be in place to monitor awareness of relevant standards and take remedial action where necessary.[32]

Leadership is vital to the effective promotion of standards in two ways.

First, well-motivated and self confident organisations find it much easier to maintain good standards of conduct among their staff. Well led organisations are more likely to possess these attributes.

Secondly, no initiative to improve ethical standards in public service is likely to be successful unless it is underpinned by commitment from the top of the organisation.

The Committee has pressed for regular surveying in departments and agencies of the knowledge and understanding staff have of the ethical standards which apply to them.[33] The Audit Commission had developed a number of self improvement tools to enable local authorities to self-assess their arrangements for ensuring ethical standards. We recommended in our Tenth report that all local authorities should consider using the Audit Commission Tool.

ENFORCEMENT AND INDEPENDENT SCRUTINY

The starting point for any enforcement regime has to be individual responsibility. The Committee observed in its first report:

> "Formal procedures have a role to play but in the end it is individuals' consciences that matter".[34]

[30] CSPL First Report—*Standards in Public Life* 1995.
[31] The seven principles are Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.
[32] CSPL First Report, 1995.
[33] CSPL First Report, 1995 and CSPL Sixth Report, 2000.
[34] CSPL First Report, 1995 paragraph 8.

It is also important that there is:

— a culture that encourages public servants to challenge inappropriate behaviour by peers and others; and[35]

— effective formal internal mechanisms for detecting, investigating and adjudicating allegations of impropriety.

The Committee is an advocate of proportionate independent oversight. Independent scrutiny can support internal safeguards by promoting a consistent approach across similar organisations in similar contexts. It should also help to build public confidence in the systems for the governance of propriety.

Future Challenges

The future is likely to involve further change in the way public services are run and delivered. The Committee will continue to monitor and review these changes with a view to advising on how to adapt the way in which the framework, outlined above, is implemented to accommodate these new developments.

The suggestion that there may sometimes be a tension between propriety and getting things done is another area of interest to the Committee. The Committee's 12th inquiry will be examining the relatively new executive decision-making structures in London and local government in some parts in the UK, which were introduced in part to speed up decision-making, to review how well they reflect the Seven Principles of Public Life. The Committee take the view that the focus on delivery should not become an excuse for avoiding ethical standards, and vice versa, that ethical standards should not become an excuse for poor delivery.

Finally, it is a matter of some concern to the Committee that the improvement in standards generally acknowledged to have occurred has not translated into improved public perception of public office holders. The Committee's third survey into public attitudes towards conduct in public life reveals that satisfaction with standards of conduct in public office has declined. The Committee is interested in learning more about what drives public perception of standards of conduct of public servants, including the role of the media in shaping perceptions, and how regulators and public bodies can raise public awareness of the safeguards in place.

November 2008

Memorandum from Rt Hon Frank Dobson MP

Civil Service Inquiry

Recent publicity surrounding evidence to your Select Committee about the Civil Service prompts me to send you a summary of some of my experiences as Health Secretary and consequent suggestions for change.

The overall performance of the Civil Service is not as productive as it ought to be. Some people at all levels are remarkably effective but the system is not geared to get the best and most worthwhile performance from the whole set up. Many traditional procedures involve the waste of a great deal of time.

Example of Waste Within a Department

An example of this within a Department involved groups of half a dozen or more attending briefing meetings with Ministers. Hierarchical considerations meant that all those present had to toe the pre-agreed line. Without considerable personal pressure from me, no differences of opinion could be coaxed from anyone present for fear of speaking out of turn. In the end I insisted that either only one or two should attend such meetings or alternatively all present should be expected to say what they actually thought. This both improved the briefings and reduced the waste of civil service time.

Example of Waste Between Departments

A vast amount of civil servants' time is consumed in inter-Departmental wrangles. Some of the items in contention can be decided at a civil service level but others require decisions by Ministers. Yet even on such items senior civil servants will continue to argue and hold endless meetings to push the position of their Department while knowing that the differences will only be resolved by Ministers.

The worst example of this I discovered was wrangling between the Departments of Health and Defence over who should pay to renew the plant needed to produce anthrax vaccine for British troops. This had gone on for more than six years—so long that Britain's supplies of vaccine were past their use-by date. As soon as I knew this I arranged a meeting with George Robertson, the Defence Secretary, and we took an

[35] CSPL Tenth Report—*Getting the Balance Right: Implementing Standards of Conduct in Public Life,* 2005.

immediate decision so work could get started on the new plant. The conclusion I drew from this was that a large amount of civil servants' time would be saved if they identified at the outset what differences could only be resolved by Ministers—got the necessary Ministerial decisions taken and devoted the time saved to implementing what had been decided. I suggested this idea to the then Prime Minister and the then head of the Civil Service but I doubt whether it got anywhere.

Turnover of Civil Servants

A great deal of attention has been given to the adverse effects of the brief span of most Ministerial stays in a particular job. I feel that the turnover of civil servants can be just as harmful but gets nothing like the same attention. The result of this is that the corporate memory based on human recollection is patchy to say the least. Worse still, the progress of tasks and projects can suffer as the people responsible move on. In one case I heard by accident that the civil servant who was doing a brilliant job developing and implementing a new service nationwide had been moved. When I asked why, I was told it was for "career development" and that he had been promoted. I pointed out that it was the Department of Health not the Department of Career Development, got him moved back on higher pay and he went on to complete the task. At my most cynical, I feel that from the point of view of the system to have someone start a task, then hand it over to a succession of others has the advantage of leaving no one in particular with the responsibility or blame if things go wrong.

Information Systems

In the absence of a corporate memory, I expected that the Department would have an information system which could readily produce from its IT up-to-date summaries of the current position on particular issues and chronologies of developments, at least on major issues. No such IT arrangements existed. Consequently reports had to be specially prepared drawing on a variety of sources—sometimes in a great rush—for example to respond to an urgent Question in the Commons. Hysteria is not too strong a word to describe the circumstances in which some statements were prepared. Major steps to overcome this problem were taken not by civil servants but by one of my special advisers.

The "Departmental Position"

Despite the ragged nature of the corporate memory, civil servants were in the habit of referring to the "Departmental position". This usually boiled down to the status quo which was sometimes argued for and sometimes "defended in depth" by reliance on inertia and the knowledge that Ministers couldn't keep an eye on everything that had been decided. Sometimes, if Ministers pressed things which differed from the Departmental position, the civil servants concerned would get in touch with civil servants in Downing Street to sustain their resistance to Ministers. Much play is made of the influence of the political staff in Downing Street while the influence of civil servants there gets less attention than it should. All tend to take the Prime Minister's name in vain and are happy to try combined operations (political and career civil servants) to get their way.

Three examples spring to mind:

> In the first case, I had spoken to Alistair Campbell early one morning to agree how we should deal with a particular problem. Later that morning, I received three phone calls. One from a political appointee and two from civil servants claiming to tell me what Alistair Campbell wanted to be done—all three at variance with what he and I had agreed.
>
> The second case arose when it became possible to introduce the Meningitis "C" vaccination campaign a year earlier than expected. There was no provision for it in the budget and some in the Department of Health thought that was more important than saving children's lives. They provided first a warning from Downing Street officials that the Comptroller and Auditor General would object. Then the political chief of staff urged postponement until the following year. As there was a Treasury contingency fund which at that time was paying out for dead cattle, I decided that saving children's lives could be funded and the vaccination scheme went ahead.
>
> The third case involved the preparation of the Tobacco White Paper. Traditionally this would have involved a huge drafting exercise, the product of which would then be submitted in proposed final form to Downing Street for approval. I decided to save a lot of abortive effort by sending the Prime Minister a simple list of what we proposed to include so he could have his say at the start. This approach saved a lot of time. In this case my reputation for not always accepting that people in Downing Street were actually speaking on his behalf led them to return to me his annotation on my original memorandum.

Getting Decisions Implemented

The Civil Service seems not geared overall to getting things done and some civil servants seem to think that a learned explanation of why something hasn't worked is an adequate answer to the question "Has it been done?" As Permanent Secretaries are notionally responsible for everything in their Department, they have too wide a variety of tasks to follow up all decisions. So I suggested to the Prime Minister and the Head of the Civil Service that the Permanent Secretary and the Chief Executive of the NHS should each have a deputy whose personal responsibility would be to ensure that decisions were implemented properly and on time. No such change took place during my tenure of office.

In summary, I believe that a great deal of civil service time could be saved by fewer meetings and more timely decision-making—leaving the staff concerned to get on with making sure things get done properly.

I should be happy to supply further detail and other examples if you think it would be useful.

January 2009

Memorandum from The Hansard Society

1. Introduction

The Hansard Society is an independent, non-partisan organisation that works to strengthen parliamentary democracy and encourage greater public involvement in politics. We undertake research to stimulate reform of political institutions and the parliamentary process.

We welcome the Committee's inquiry on good government. The Hansard Society is strongly of the view that an effective Parliament is a pre-requisite for a well functioning government. In recent years the Hansard Society has undertaken a number of studies and commissions which have had a central theme: that there should be improved and more exacting scrutiny and accountability of government to Parliament.[36]

Parliament has a unique role to seek from government greater explanation of what it is planning to do and the reasons for its proposals, and to ensure that they have been well considered and tested. Equally, government should co-operate to the fullest extent with Parliament's oversight function to ensure its actions and expenditure are accounted for and efficiently deployed and, where necessary, that lessons are learned and implemented.

There are already mechanisms within Parliament which promote some effective scrutiny and accountability—most notably departmental select committees and the work of the Public Accounts Committee and the National Audit Office. The Hansard Society has proposed reforms to make parliamentary scrutiny more rigorous and has welcomed changes when they have occurred. These changes have, to a partial extent, seen a shift of emphasis from Parliament's role as a legislature towards its scrutiny function. Yet much more could be done to facilitate and encourage the scrutiny role of Parliament.

This evidence paper looks at our proposals in two specific areas, parliamentary scrutiny of government finance and government legislation, as well as recent developments in the area of parliamentary scrutiny of the executive as a whole. The aim of these proposals is to promote a culture of explanation, openness and information and to ensure that government seeks and responds to parliamentary input and oversight. Robin Cook, when Leader of the House of Commons, succinctly described the purpose of parliamentary functions in these areas: "Good scrutiny makes for good government".[37] We concur with this view.

2. Financial Scrutiny of Public Money

There is much scope to improve Parliament's scrutiny of government's finance3[38]and widespread agreement that changes are needed.[39] We welcome the government's recent acknowledgement of the importance and value of good financial scrutiny by Parliament and the Alignment Project underway to improve and simplify the government's reporting to Parliament.[40] While there are measures that Parliament can adopt to improve its scrutiny of government spending, the government has a responsibility to assist the process in a number of areas: Budget and Pre-Budget reports, spending reviews, National Audit Office/ Public Accounts Committee reports, and Private Financial Initiatives.

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[36] Hansard Society (2001), *The Challenge for Parliament; Making Government Accountable,* The Report of the Hansard Society Commission on Parliamentary Scrutiny, chaired by Lord Newton of Braintree (London: Hansard Society); A Brazier, M Flinders and D McHugh (2005), *New Politics, New Parliament? A review of parliamentary modernisation since 1997* (London: Hansard Society).

[37] Modernisation of the House of Commons Committee (2001–02), *A Reform Programme for Consultation: Memorandum submitted by the Leader of the House of Commons,* HC 440, para 2.

[38] A Brazier and V Ram (2006) *The Fiscal Maze: Parliament, Government and Public Money (London: Hansard Society),* p 75.

[39] House of Commons Liaison Committee (2007–08), *Parliament and Government Finance: Recreating Financial Scrutiny,* HC 426.

[40] House of Commons Liaison Committee (2007–08), *Parliament and Government Finance: Recreating Financial Scrutiny: Government and National Audit Office Responses to the Committee's Second Report of Session 2007–08,* HC 1108.

2.1 *Government timing of financial announcements*

The Government could allow for better financial scrutiny by Parliament by reconsidering the timing of the Budget and Pre-Budget reports (PBR). The Budget is presented to Parliament shortly before the Easter parliamentary recess, leaving little opportunity for parliamentary debate before the end of the fiscal year (the 2006 and 2007 Budgets were both presented to Parliament just one week before the parliamentary recess).[41] The OECD guidelines on Budget transparency state that "the government's draft budget should be submitted to Parliament. . .no less than three months prior to the start of the fiscal year".[42]

While it could be argued that the PBR enables Parliament to consider some of the issues which will be raised in the Budget, in reality, the parliamentary process following the PBR does not allow for, or indeed encourage, close scrutiny or input into the comprehensive picture of government spending and taxation, and policy priorities.

There is also the question of the amount of notice traditionally given by the Chancellor of the dates of the PBR and Budget. It has been put to us that these are typically too short for relevant organisations to prepare. There is, therefore, an argument that the dates for such important statements should be set well in advance or perhaps even be fixed.[43]

2.2 *Spending reviews*

Spending reviews with their summaries of departmental objectives, firm expenditure plans for forthcoming years and analysis of cross departmental issues, provide the ideal opportunity for Parliament to scrutinise government spending plans at both the macro and the micro level. However, the timetable for the reviews, and the way that Parliament is involved in the process, limits the opportunity for detailed parliamentary scrutiny. There is little opportunity for committees to conduct a thorough analysis of budget allocations between and within departments. The Government has said that "the timing of discussions on the allocations of individual Departments and the information made available by Departments is a matter for individual Departments and select committees to agree",[44] however we would like the Government to commit to providing this information in a timely fashion as a matter of course.

A greater willingness by the Government to open up the Comprehensive Spending Review process to scrutiny and input by Parliament is needed. This includes presenting the interim report sufficiently early in the parliamentary calendar for committees to be able to carry out thorough scrutiny and to feed these comments to the Government. At the same time it requires greater commitment from Parliament to rise to the challenge and make full use of the material in the interim report to scrutinise and debate government spending priorities.[45]

2.3 *National Audit Office/Public Accounts Committee reports*

In our report, The Fiscal Maze: Parliament, Government and Public Money, we made it clear that the work of the Public Accounts Committee and National Audit Office was generally well regarded and played an important part in making the Government more accountable for its actions. However, we identified one cause for concern which was that the recommendations made, and usually accepted by government, were not always implemented fully and effectively. Even when they were implemented, there was insufficient focus on whether they had actually improved the quality of public services or the utility of expenditure.

There should be greater follow-up of the NAO/PAC reports to ensure government money is being spent effectively. Follow-up of PAC recommendations should not be haphazard but happen automatically. One option would be to introduce a regular trigger for follow-up of NAO/PAC reports. As a general guide, this could be set at 18 months or two years after the recommendations were first made, but could be extended or shortened where appropriate. The key issue is not the exact timing of the review. A prescriptive approach would not be suitable in all cases. Some reports on emergency or critical issues might require a shorter timescale for review; others may take longer to ensure that changes have had time to bed down. The key point is that there should be an expectation and assumption that if the NAO/PAC have reported on a subject, then there will be a review or inquiry to find out what has happened since, whether change has been achieved and if so, whether it has led to improvements. The timescale of 18 months to two years would provide a framework to guide work in this area.[46]

This could be accommodated by requiring departmental annual reports to include an update on how they have responded to any NAO/PAC reports on their spending over the previous two years. This would allow the relevant departmental select committee, perhaps with the assistance of NAO staff, to examine progress on the report.

[41] A Brazier and V Ram (2006), *The Fiscal Maze: Parliament, Government and Public Money* (London: Hansard Society), p 18.
[42] OECD (May 2001), OECD *Best Practices for Budget Transparency* (Paris: OECD), p 4.
[43] A Brazier and V Ram (2006), *The Fiscal Maze: Parliament, Government and Public Money* (London: Hansard Society), p 19.
[44] House of Commons Liaison Committee (2007–08), *Parliament and Government Finance: Recreating Financial Scrutiny: Government and National Audit Office Responses to the Committee's Second Report of Session 2007–08,* HC 1108, p 6.
[45] A Brazier and V Ram (2006), *The Fiscal Maze: Parliament, Government and Public Money* (London: Hansard Society), p 29.
[46] Ibid, p 40.

Furthermore, the fundamental task should be whether long term improvements in outcomes are achieved, wider lessons are learned and mistakes not repeated. There should be a move towards a deeper notion of accountability to ensure that individual lessons are translated into general reforms of public institutions that are found to be flawed.

2.4 *Private Financial Initiatives (PFIs)*

Government should look to structure PFI agreements to allow for greater oversight. There is a need for systematic parliamentary scrutiny which is pro-active rather than reactive and seeks to ensure that lessons learnt from mistakes are translated into improvements in PFI systems. In particular, consideration of PFI projects by departmental and other select committees should be extended, and there should be greater follow-up on recommendations previously made. Given the complexity of the issues involved in PFI contracts, the NAO's support to committees other than the PAC should be extended in this area.[47]

There will need to be a concomitant increase in transparency of private partners in PFI contracts and "commercial confidentiality" should not be used to block full parliamentary scrutiny. PFI contracts should include a requirement for the private partner to share information, not only with public auditing bodies, but with parliamentary committees as well. Where sensitive issues are involved the Government should offer explanations of PFI agreements to committees in private sessions.

3. Government Legislation

Law is the framework within which a democratic state operates, and its importance cannot be overstated. We have found evidence that Parliament's scrutiny of legislation is improving, and that far more changes are made to legislative proposals now than in the past. Nonetheless, parliamentarians from all parties have told us that there is a predominant belief within Whitehall that to change a bill is a sign of weakness, and many feel that a cultural change is needed in order for change to be viewed as possible—and even desirable. Our recent study on lawmaking has identified a number of areas where improvements could be made, including to the volume of legislation, consultations, and delegated legislation.

3.1 *Volume of legislation*

There has been a marked increase in the volume and complexity of legislation in recent years, which taxes Parliament's ability to scrutinise it effectively.[48] We have found evidence of a culture within government which inspires the creation of more and more legislation. It has been asserted by a variety of actors engaged in the legislative process—from parliamentarians to pressure groups—that bills are sometimes simply used to "send a signal'; for example, five bills on immigration and asylum were introduced in the space of 10 years.[49] Legislation is also frequently superseded by new bills before being implemented, making it difficult to determine its impact.

A reduction in the number of bills taken through Parliament would allow for much more detailed scrutiny and also permit more time for debates and other work. We believe consideration should be given to the 2004 Lords Constitution Committee recommendation that there should be stronger pre-introduction tests for the introduction of specific legislation.[50] In making the case for primary legislation, the issues that should be considered include whether existing legislation needs to be consolidated or repealed and whether it already provides the necessary powers.

3.2 *Consultations*

In general, bills that are carefully prepared and consulted upon before entering Parliament experience an easier passage. The quality of consultation with external stakeholders is crucial, as an effective consultation helps to generate public support for the resulting bill.

However our research has found that the value and effectiveness of consultations varies considerably. While they can exert a noticeable influence on legislation, there is evidence of an increasing cynicism about the consultation process and an impression in some quarters that they do not always seem "genuine". While some government departments have built up a reputation for regular and robust consultation, others are considered less effective or well disposed toward gathering stakeholder input beyond "trusted circles"; some make use of all the resources available, while others "go through the motions".[51]

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[47] Ibid, p 53.
[48] A Brazier, S Kalitowski and G Rosenblatt with M Korris (2008), *Law in the Making: Influence and Change in the Legislative Process (London: Hansard Society), p 195.*
[49] Ibid, p 196.
[50] House of Lords Constitution Committee (2003–04), *Parliament and the Legislative Process,* HL 173.
[51] A Brazier, S Kalitowski and G Rosenblatt with M Korris (2008), *Law in the Making: Influence and Change in the Legislative Process (London: Hansard Society), pp 177–178.*

To redress this situation, consultations on legislation should be more structured, and should be focused much more clearly on choices and priorities, taking respondents through competing arguments and the consequences of choices. The often unrealistic approach that all options are open—even when it is obvious that the Government has a clear direction in mind—should be avoided. Being straightforward about what can or cannot change as a result of consultation would bring greater confidence to the system.

There is also scope for greater use of consultation evidence to strengthen parliamentary scrutiny. There should be more detailed feedback presented to Parliament and the public, in the form of reports on consultations undertaken for every bill (draft or full). Such reports, in addition to summarising the consultation evidence, should address specific points and evidence rather than just present a broad brush response, and give the reasons why certain proposals were chosen and others rejected.[52]

3.3 *Delegated legislation*

The increase in the volume and complexity of legislation has resulted in more "framework bills', where much of the crucial detail on the powers and provisions are contained in delegated legislation which is added subsequently.[53] This severely restricts Parliament's ability to adequately scrutinise government proposals. The government should commit itself wherever possible to produce draft delegated legislation for consideration at committee stage to allow for proper scrutiny to take place.

4. Recent Developments

There have been a number of important reforms and commitments recently in the area of parliamentary scrutiny. The use of pre-legislative scrutiny and the issuing of bills in draft allow greater debate and parliamentary input at an early stage when government may be more willing and relatively open to accepting changes to its proposals. A new system for post-legislative scrutiny would examine the effectiveness of government law making and administration, and pre-appointment hearings would improve the transparency of government decision-making. The benefits of these innovations will only materialise, however, if government acts positively to embrace them.

4.1 *Pre-legislative scrutiny*

Pre-legislative scrutiny has a number of clear benefits, as has been shown in the years since 1997. It gives a wide range of interested external parties an opportunity to seek to influence legislation at an early stage, providing a mechanism for direct engagement with the parliamentary and political process. It also allows parliamentarians to make proposals for change before ministers have finally committed themselves to the text, making it easier to agree to change.[54] The experience of the committees examining these bills has generally been a productive one.[55]

The Government committed itself in 2003 to increasing the number of bills published in draft,[56] but progress has been patchy. There is still a long way to go before even a third of bills are published in draft for pre-legislative scrutiny.[57] In the 2005–06 parliamentary session four draft bills were published (compared to 58 "full" government bills) of which three were scrutinized by a select committee. In the 2006–07 session it was four draft bills (compared to 34 full government bills), of which three were scrutinised, and currently in 2007-08 session nine draft bills have been published (compared to 31 full government bills), of which seven have been scrutinised.[58]

Pre-legislative scrutiny through the issuing of draft bills for scrutiny by parliamentary committees should be the norm for most bills. The Government should seek to ensure that a significant and lasting increase in pre-legislative scrutiny is achieved.

Greater efforts should also be made to ensure that MPs who took part in pre-legislative scrutiny should subsequently become members of the public bill committee, a recommendation also made by the Modernisation Committee.[59] Finally all bills which are subject to carry-over should have had pre-legislative scrutiny of the draft bill to balance out the greater flexibility gained by the Government with greater parliamentary scrutiny.

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[52] Ibid, p 203.
[53] A Brazier, S Kalitowski and G Rosenblatt with M Korris (2008), *Law in the Making: Influence and Change in the Legislative Process* (London: Hansard Society), p 196.
[54] Ibid, p 197.
[55] A Brazier (ed) (2004), *Parliament, Politics and Law Making: Issues and Developments in the Legislative Process* (London: Hansard Society), p 8.
[56] HC Deb 4 February 2003 c134W.
[57] For figures on previous sessions, see A Brazier, S Kalitowski and G Rosenblatt with M Korris (2008), *Law in the Making: Influence and Change in the Legislative Process (London: Hansard Society), p 226.*
[58] Of the nine bills in the current session, one was a partial draft bill and another, the Draft Counter-Terrorism (Temporary Provisions) Bill, contained proposals on 42 days detention that had been dropped from the Counter-Terrorism Bill.
[59] Modernisation of the House of Commons Committee (2005–06), *The Legislative Process,* HC 1097, p 17.

4.2 *Post-legislative scrutiny*

The Hansard Society has been a long-standing advocate of systematic post-legislative scrutiny, and we welcome the Government's recent commitment that departments publish memoranda reviewing relevant Acts three to five years after they have received Royal Assent, which will serve as the basis for parliamentary committees to conduct thorough post-legislative scrutiny.[60]

Effective post-legislative scrutiny has the potential to identify and remedy defects in legislation, promote good practice, improve administrative outcomes and involve groups outside of Parliament. Now that the principle has been accepted, we look forward to the speedy implementation of a system of post-legislative scrutiny.

4.3 *Pre-appointment hearings*

In The Governance of Britain green paper the Government proposed that select committees hold pre-appointment hearings for key government appointees.[61] It has also largely accepted the recommendations of the subsequent Liaison Committee report to expand the number of appointees who could be subject to the process.[62] We welcome these developments and believe that effective scrutiny of government appointees has the potential to improve the workings and transparency of government. In order for this development to function effectively, Parliament and its committees will have to embrace this new avenue for scrutiny and the Government will have to respond positively to any findings.

5. Conclusion

The Hansard Society has long argued that better parliamentary scrutiny will benefit the work the Government. In any debate and proposals about improving government, the role of Parliament and its relationship with government should be given a high priority.

November 2008

Memorandum from Professor Christopher Hood

Where the UK (or England if separately identified) ranks on 14 Selected International Governance/Public Services Survey. (Compiled by Christopher Hood and Ruth Dixon, University of Oxford and ESRC Public Services Programme)

Survey	*Position of UK worldwide*	*Date of most recent edition*	*Number of countries*	*Position of UK relative to 13 selected countries (1)*	*Comments on data*
World Bank Governance indicators http://go.worldbank.org/ATJXPHZMH0	In top 10% for 5 of the 6 indicators	2007	212	7 out of 13 **	
Transparency international Corruption perceptions index	11th ***	2008	180	8 out of 13 **	
World Economic Forum Global Competitiveness report	12th ***	2008	134	8 out of 13 **	
Public Satisfaction with Public Services (Accenture)	8th **	2006	22	6 out of 11 **	No data from Singapore or Korea
UN Human Development Report	16th ***	2008	177	9 out of 13 **	
UN Crime Survey 1, Intentional homicides per 100,000 popn	20th **	2004	66	5 out of 10 **	No data from Austria, Japan, USA

[60] Office of the Leader of the House of Commons (2008), *Post-legislative Scrutiny—The Government's Approach,* Cm 7320.
[61] Ministry of Justice (2007), *The Governance of Britain,* Cm 7170.
[62] House of Commons Liaison Committee (2007–08), *Pre-appointment hearings by select committees,* HC 384; House of Commons Liaison Committee (2007–08), *Pre-appointment hearings by select committees: Government response to the Committee's Third Report of Session 2007–08,* HC 595.

Survey	*Position of UK worldwide*	*Date of most recent edition*	*Number of countries*	*Position of UK relative to 13 selected countries (1)*	*Comments on data*
PIRLS Reading Literacy, age 10 (+45 countries or territories)	19th **	2006	45+	7 out of 10 *	No data from Australia, Japan, S Korea
PISA (Science achievement age 15, +30 OECD countries)	9th **	2006	30+ 7 out of 12 **	No data from Singapore	
Life Expectancy (+30 OECD)	18th **	2005	30+	9 (eq) out of 12 *	No data from Singapore
Timms Maths age 10	7th **	2007	36	3 out of 9 ***	No data from Canada, Korea, France, Belgium
Timms Maths age 14	7th **	2007	48	4 out of 7 **	No data from Canada, France, Belgium, NL, Germany, Austria
Timms Science age 10	7th **	2007	36	3 out of 9 ***	No data from Canada, Korea, France, Belgium
Timms Science age 14	7th **	2007	48	4 out of 7	No data from Canada, France, Belgium, NL, Germany, Austria
UN Crime Survey 2, persons incarcerated per 100,000 popn	34th *	2004	59	7 out of 6	No data from Austria, Japan, USA, France, Belgium

Key: *** top 10%
** below top 10%
* below OECD average

Key: *** in top third of these countries
** in middle third of these countries
* in bottom third of these countries

1) Countries in this group: Australia, Austria, Belgium, Canada, France, Germany, Japan, South Korea, Netherlands, Singapore, UK, USA

January 2009

Memorandum from Institute for Government

Introduction

The Institute for Government is an independent centre founded in 2008 to help make government more effective through research, thought leadership and personal development activities. In November 2008, the Institute published its first research report, Performance Art: Enabling better management of public services, which explored the effectiveness of the Government's approach to monitoring and improving performance in public services (with a particular focus on the latest framework of Public Service Agreements and Local Area Agreements). Many of the findings of this project are relevant to the Public Administration Committee's inquiry into "Good Government", so we are delighted to submit this memorandum summarising key conclusions and recommendations arising from our research.[63] The scope of the Institute's project was narrower than that of the Committee's inquiry, but it did cover ground relating to at least four of the nine questions set out in the Committee's Issues and Questions Paper published in May 2008. We structure this submission accordingly.

[63] The full version of the report is published at: http://www.instituteforgovernment.org.uk/performance. Hard copies have also been made available to members of the committee.

Question 2: *Are relations between the centre of government, individual departments and frontline public sector workers organised so that each part of government can do its work effectively?*

The new set of Public Service Agreements (PSAs) unveiled in 2007 and introduced from April 2008[64] and the new Local Area Agreements (LAAs) concluded in 2008[65] commit government to a range of ambitious public service improvement targets. The majority of these targets are explicitly cross-cutting in that they do not fit neatly within one policy domain or ministeral portfolio (eg targets to reduce carbon emissions, obesity, teenage pregnancies, and social exclusion). Meeting these targets therefore depends in large part on good working relationships between different parts of Whitehall, between central and local government, and between government and service providers.

Our evidence (which included over 100 interviews with officials at all levels of government), suggested that despite a strong commitment to "joined-up government" and "partnership working" there remain a number of weaknesses in the current arrangements. In Whitehall, we found that "departmentalism" continues to undermine progress on meeting complex outcome targets that require cross-departmental cooperation. For instance, there is resistance to pooling budgets across departmental boundaries. Local areas also suffer the knock-on effects of intra-Whitehall divisions, as government departments compete to get their own priorities into LAAs, and transmit overlapping and uncoordinated messages to the local level.[66]

There are various ways in which relations between different parts of the Whitehall machine might be reformed to improve coordination. Currently, one problem is that there is cross-departmental machinery at the level of officials (in the form of PSA Delivery Boards, and the Senior Responsible Officers appointed for each PSA) but this is not replicated in the design of ministerial roles. We therefore suggest that government should appoint ministers with cross-departmental portfolios to take responsibility for certain priority PSAs (see *Performance Art*, Recommendation 10, pp.89–90). For instance, a Minister for Drugs and Alcohol Strategy (leading on PSA 25) could be part of both the DoH and the Home Office, working with staff in both departments to ensure that activity is coordinated and necessary trade-offs are made. This would build upon precedents such as that of the current Minister for Trade, who straddles BERR and DfID, and would also draw upon cross-cutting governance arrangements elsewhere, eg in Ireland.[67]
A complementary reform we recommend is to "carve out" budgets to support specific PSA objectives. Indeed, "using budgets flexibly to promote cross-cutting working, including using more cross-cutting budgets and pooling of resources" was identified by the current Government during its first term as one of six areas where action was needed to improve coordination,[68] but progress towards this reform has been slow. We propose that all departments contributing to a PSA should clearly demarcate spending set aside intended to support that PSA (this is the currently the case for some PSAs, but should become standard practice). There could then be regular cross-departmental discussions about the use of these aligned budgets. Further, we suggest the creation a small cross-departmental pool of funding for particular PSAs, of sufficient size to motivate departments and ministers to work together but excluding Department core resources and avoiding onerous cost-allocation exercises (see *Performance Art*, Recommendation 11, p.90).

Our interviews also underlined the importance of positive working relationships between central and local government. Despite the rhetoric of place-sensitivity, many at the local level felt that Whitehall departments continued to demand the inclusion of targets irrespective of locally-determined priorities. We suggest that relations could be strengthened by various activities to strengthen networks and mutual understanding between the different levels of government. For example, there should be greater interchange of personnel between Whitehall and local government, with the introduction of a requirement that all Faststreamers and all appointees to the Senior Civil Service spend a minimum period seconded outside of Whitehall (see *Performance Art*, Recommendation 6, pp.86–87).

We also suggest that next time round, local ownership of the target setting process should be enhanced through the abolition of "statutory indicators"[69] and the imposition of a strict limit in the number of priorities that Whitehall can require any particular local area to include in its LAA (see *Performance Art*, Recommendation 16, pp.92–93). This would fit in with the Government's stated intention of moving

[64] Details of all 30 PSAs can be found at: http://www.hm-treasury.gov.uk/pbr_csr07_public_service_agreements.htm
[65] Details of all 150 LAAs can be found at: http://www.idea.gov.uk/idk/core/page.do?pageId = 8399555
[66] As with the publication in June-July 2008 of *Engaging Communities in Fighting Crime* by the Cabinet Office, *From the neighbourhood to the national: policing our communities together* by the Home Office, and *Communities in Control* by Communities and Local Government. Officials working on these papers did work together to align messages but all reports covered similar issues and it was left to local government to work through how these messages related to circumstances on the ground.
[67] In Ireland, while Cabinet ministers are in charge of a single department as at Whitehall, a number of Ministers of State hold cross-departmental posts. For instance, the Office of the Minister for Children and Youth Affairs is located within the Department of Health and Children, but also includes units of the departments of justice and education. Similar cross-cutting ministers have also been appointed for older people, disabilities and mental health, and integration. This appears to offer an attractive alternative to full-scale machinery of government changes, such as the recent creation of the Department for Energy and Climate Change.
[68] Performance and Innovation Unit (2000). *Wiring it Up: Whitehall's management of cross-cutting policies and services*. At: www.cabinetoffice.gov.uk/media/assets/www.cabinetoffice.gov.uk/strategy/coiwire%20pdf.ashx, p.5.
[69] All Local Areas were required to set targets for 16 mandatory indicators set by the Department for Children, Schools and Families. Following the abandonment of SATS tests for 14 year olds, six of these "statutory indicators" will no longer apply.

towards the model of a "strategic and enabling" centre,[70] which facilitates learning and capacity-building at the local level, but intervenes directly in delivery only in exceptional circumstances (see also *Performance Art*, Recommendation 4, pp.85–86).

Question 4: *Do the right incentives exist for public sector workers to deliver policies effectively? For instance, what could complement (or replace) targets for policy and service delivery?*

Our research indicated that incentives for actors at the local level to meet targets may not be strong enough to ensure significant improvement in performance. Partly this reflects problems over the alignment of the Comprehensive Area Assessment (CAA) with the Local Area Agreements (see *Performance Art*, Recommendation 2, p.84) and the reduced size of the Reward Grant for areas meeting targets (see *Performance Art*, Recommendation 18, p.94).

More fundamentally, however, we suggest that there should be a transition away from fixed outcome targets as a principal mechanism for public service improvement. Specifically, we suggest greater use of "tournaments" rather than targets to incentivise local performance improvement (see *Performance Art*, Recommendation 14, pp.91–92). This would see local areas being rewarded for improvement relative to other similar areas rather than absolute performance. Benefits granted to high performers could include extra funds through the Reward Grant, increased spending flexibility, or greater autonomy in selecting priorities in future LAAs. This approach would reduce dependence on numerical targets, which are not always well set, avoid a "hit or miss" mentality, and motivate continual improvement, even for high or coasting performers. Minimum standards would be monitored, as currently, through the CAA process. Assessing relative rather than absolute performance trends also overcomes the problem of exogenous factors affecting indicators irrespective of actions taken at the local level (eg the impact of the current recession on the proportion of 16–18 year olds not in employment, education or training).

Question 7: *How adequate are existing mechanisms for judging government performance, such as departmental capability reviews and public service agreement targets?*

Weak incentives to prioritise cross-cutting objectives remain a problem in Whitehall. One reason for this may be that, as the Sunningdale Institute noted, the Capability Review process only "focuses on the individual department rather than on how departments work together on cross-cutting issues and capabilities".[71] We therefore believe that government should strengthen the Capability Reviews by including an assessment of each department's contribution to joint PSAs and other cross-government objectives (see *Performance Art*, Recommendation 9, pp.88–89). Such a change would support the commitment to move away from what the Cabinet Secretary has called "100:0:0 working" (in which officials exclusively concentrate on gaining benefits for their own team, and not at all on wider departmental or cross-government objectives).[72] In a similar way, future reviews should take further account of departments' ability to understand and deal with places and local variation. The Capability Review model might also be adapted more radically to the logic of the PSA system. Cross-departmental capability reviews could be held for certain key Public Service Agreements, making an assessment of how well-placed is the Government as a whole to achieve objectives such as the reduction in child poverty (PSA 9) or mitigating the risks of climate change (PSA 27).

Question 4:*How well does knowledge from policy implementation feed into policy or law making?*

One of the main potential benefits offered by outcome-based performance management is the generation of information that can be used to improve future policy-making. For this potential to be maximised, however, performance information must be published in a user-friendly format that permits easy comparison and analysis including by non-experts (see *Performance Art*, Recommendation 1, pp.83–84). The Government's current plans are for performance data for all national indicators to be published in a single place, which is commendable. However, the current platform for publication remains difficult to navigate, particularly for non-experts,[73] and certainly when compared to other international examples.[74] As the Committee has itself previously recommended, it is also important that performance data be subject to independent verification (perhaps by the National Audit Office) to ensure quality and enhance trust in the process.

[70] Cabinet Office (2008). *Excellence and Fairness: Achieving world class public services* (London: Stationery Office). At: http://www.cabinetoffice.gov.uk/strategy/publications/excellence_and_fairness.aspx, p.14.

[71] Sunningdale Institute (SI) (2007). *Take off or tail off? An Evaluation of the Capability Reviews Programme*. At: www.nationalschool.gov.uk/downloads/Capability_Review_Sunningdale_91107.pdf, p.1.

[72] Cabinet Office (2007). *Performance Management Guidance 2007–08 for Permanent Secretaries and the Senior Civil Service*. At: http://tinyurl.com/6pdzdz, p.4.

[73] Communities and Local Government, Floor Targets Interactive website, at: http://www.fti.communities.gov.uk/fti/

[74] See for instance, "Scotland Performs" at: http://www.scotland.gov.uk/About/scotPerforms, and "Virginia Performs" at: http://vaperforms.virginia.gov/

Conclusions

In this memorandum we have not sought to address directly the Committee's questions about what good or bad government looks like. We have instead presented findings from the Institute for Government's recent research project on performance management that we believe shed light on particular aspects of governmental effectiveness. The Institute's future work programme will include research and other activities relating to government performance in much broader terms and we therefore look forward to contributing to the Committee's work in the years to come.

December 2008

Memorandum from Intellect

1. Background

This submission has been prepared by Intellect in response to the press notice issued by the Public Administration Select Committee on 19 May 2008.

Intellect is the UK trade association for the IT, telecoms and electronics industries. Its members account for over 80% of these markets and include blue-chip multinationals as well as early stage technology companies. These industries together generate around 10% of UK GDP and 15% of UK trade.

The inquiry has a wide scope but this memorandum focuses on the important role that technology plays in the implementation and delivery of policy, an essential element of "good government". Intellect's relationships across the public sector give us a unique insight into the challenges that relate to the reform of public services and how technology can be exploited to deliver the best outcomes for citizens. Intellect member companies have experiences from across the world and are keen to engage with a cross section of policymakers and stakeholders on the long-term issues facing the UK.

Intellect welcomes the opportunity to provide input at this early stage and looks forward to a programme of continual engagement with relevant government departments, agencies and other stakeholders.

2. Introduction

One of the key challenges facing the public sector is how to transform policy ideas into the desired outcomes, particularly when this involves IT-enabled business change. Concepts that appear straightforward on paper can be extremely difficult/risky to execute, especially when the technology is new or emerging, or when transaction volumes are very high. The Office of Government Commerce (OGC) and the National Audit Office (NAO) recommends the early involvement of suppliers in the development of technology enabled business change projects in the public sector.

Early engagement:

- allows suppliers to show the client how the market can meet their need;
- provides early visibility of key risks and issues; and
- gives suppliers the opportunity to manage expectations of what the market can and cannot contribute to the proposed programme.

Intellect fully endorses early engagement and invites public sector clients to take market soundings to test the practicability of their ideas at the earliest possible stage. In essence, the earlier the concept is tested, the better; clients will gain greater understanding of the achievability of their ideas and high-risk proposals can be modified or abandoned before any substantial investment is made.

3. The Concept Viability Process

The Concept Viability service is intended to assist the development of a more comprehensive assessment of projects at their earliest stages. To this end, the assessment proposed in this submission should not be viewed in isolation, but rather as part of a wider consultation to be undertaken by the client (ie this will not replace work which the client undertakes on proof of concept or feasibility, but rather seek to inform it). Clients with business needs that require either a large-scale commitment or demanding solution would approach Intellect to test the viability of the concept.

As the leading representative body for the technology industry with approximately 800 member companies, Intellect is well placed to draw on the expertise clients need. Intellect is also technology-neutral, so will be able to draw on a range of companies providing fundamentally different solutions, thereby enhancing the variety of options and perspectives available to the client. If the client suggests the involvement of specific companies outside its membership, Intellect will be pleased to include them in the process. Intellect provides this service for a small fee that covers the administrative costs.

The Cabinet Office, OGC and the NAO endorse the Concept Viability process, which has also been recommended by the Public Accounts Committee (testimonials are provided in Appendix A). A full list of the Concept Viability workshops that Intellect has run since the service was launched is provided in Appendix B: this list includes a broad range of central government, local government and non-departmental agencies covering a variety of projects and programmes (many but not all of which include ICT-enabled transformation).

4. How Concept Viability Works

The process involves the following approach:

Stage 1

The client provides a short, written description of the business need to Intellect.

Stage 2

Intellect circulates this to a selection of companies who would be invited to comment on the feasibility of the proposal. Consideration should be given as to whether this would take the form of an agreed list of companies or whether a more general invitation should be issued by Intellect.

The purpose of this initiative is to inform and contribute to, but not replace, the wider consultation that clients undertake with the supplier community.

Stage 3

Intellect facilitates the exchange of information between client and suppliers, through workshops, where the client would discuss their proposal with suppliers and by inviting suppliers to comment via written submissions, following the workshops.

Stage 4

Intellect collates the responses and prepares a Concept Viability assessment, a report reiterating the requirement, highlighting risks and issues identified in the discussion and papers received, and, where appropriate, provide guidance on the provisions needed to achieve a successful solution. The report would also provide a valuable starting point for further detailed work on feasibility or proof of concept.

Stage 5

Intellect works with the client to ensure that this assessment is made available to all suppliers expressing an interest in bidding for the contract to ensure a level playing field. Intellect recommends that clients use the report in preparing a Prior Information Notice or Official Journal of the European Union (OJEU) advertisement.

5. The Benefits of Concept Viability

(a) *Benefits for customers*

Concepts that are not technically feasible, are flawed or high-risk will be identified as such at an early stage, thereby informing the client of these pitfalls before investment has been made in the concept. The process:

- is quick and provides useful insights into possible solutions;
- helps to create intelligent clients by giving easy access to supplier expertise;
- helps to ensure that no initiative dependent on new IT is announced before an analysis of the risks and options for implementation has taken place; and
- informs any subsequent work on feasibility or proof of concept, but is not intended to replace these activities.

(b) *Benefits for the suppliers*

Flaws in proposals can be highlighted without companies feeling that their position in the procurement is threatened. Where innovative solutions are required, emerging technologies can be discussed along with a frank dialogue of the risks incurred. Suppliers can decide at an early stage whether they intend to bid for this work, thereby saving significant time and financial resources.

6. Conclusion

Technology increasingly underpins the ability of government to deliver on the policies it makes and implements, and the ability of departments to oversee the continuing operations of government: particularly in a world where in which consumer expectations are rising and the democratising potential of technology is beginning to be realised. Therefore, "good government" increasingly relies upon the successful delivery of technology enabled business change.

The value of the Intellect Concept Viability service—which has been undertaken on over 40 projects and programmes since its inception and has been recognised by the Cabinet Office, OGC, NAO and the Public Accounts Committee—and is a valuable tool for "good government".

7. Next Steps

Intellect is happy to provide additional evidence to the Public Administration Select Committee and to discuss Concept Viability and how it can be used to achieve "good government" in more detail with all stakeholders.

APPENDIX A

TESTIMONIALS

"Safeguarding the successful delivery of government projects at every opportunity is a major priority for the Office of Government Commerce (OGC). OGC recognises the importance of proper scrutiny of the feasibility of IT-enabled projects at the early stages to ensure that delivery and expectations are realistic. The OGC/Intellect Concept Viability initiative allows Departments to tap into the expertise of technology suppliers at an early stage in project development and before any formal tender exercise begins. So far, over 40 major government projects have benefited from using this service and I would encourage more to do so".

Nigel Smith, Chief Executive, Office of Government Commerce

"Concept Viability improves delivery and reduces risks by enabling change projects to benefit from early advice from the IT industry in a confidential, controlled and fair way".

Andrew Stott, Deputy CIO & Head of Service Transformation
Delivery and Transformation Group, Cabinet Office

"Investigating the viability of proposed IT solutions is an important part of planning any business change process. For IT-enabled business change, departments should consult at an early stage with the industry to take market soundings and to test the viability of proposed IT-enabled changes, for example by making use of mechanisms such as Intellect's Concept Viability Service, before going to the market to contract with suppliers".

National Audit Office (2006) Delivering successful IT-enabled business change
HC33 Session 2006–07, 17 November 2006

APPENDIX B

INTELLECT CONCEPT VIABILITY PROJECTS

Intellect has undertaken the following Concept Viability Projects since the process was launched.

- Association of Chief Police Officers & Home Office Scientific Development Branch: Digital Imaging
- Becta: Aggregated Procurement in Education
- Becta: Home Access Strategy
- Cabinet Office e-Government Unit: Shared Services
- Cabinet Office: Project ISAAC
- Department for Constitutional Affairs: DISC Programme (two workshops)
- Department for Constitutional Affairs: HR Shared Services
- Department for Education and Skills: Managing Information Across Partners Programme
- Department for Education and Skills: Information Sharing Index
- Department for Education & Skills: Shared Services
- Department for Education & Skills: Youth Opportunity Card (two workshops)
- Department for Children, Schools & Families: Parent Know- How Information System for Parents and Providers
- Department for Work and Pensions: Document and Output Management Programme
- e-Government Unit: Shared Services

— Environment Agency: CIS Service Procurement
— HM Debt Management Office: e-Bidding
— HM Land Registry: e-Conveyancing
— HM Prison Service: Zero Waste Mattress System
— Home Office: National Identity Scheme
— Home Office: Refugee Integration Loan Scheme
— Independent Police Complaints Commission: IT Replacement Contract Project
— Insolvency Service: Claims Handling and Making Payments (CHAMP) Project
— Learning & Skills Council: Re-tendering Strategy
— London Centre of Excellence: Sustainable Highways
— Ministry of Justice & HM Courts Service: Electronic Filing and Document Management Programme
— The National Archives: Digital Continuity
— National Policing Improvement Agency: HOLMES 2020
— National Policing Improvement Agency: Penalty Notice Processing System (PentiP)
— National Policing Improvement Agency: Police National Database
— NHS Wales: Service Orientated Approach to Healthcare
— NHS Wales (Informing Healthcare): My Health Online
— Office for National Statistics: 2011 Census
— Office of Government Commerce: Commercial Activities Re-competition Project
— OGCbuying.solutions: Policy Consultancy
— Office of Public Sector Information: Re-use Request Service
— Police Information Technology Organisation: Facial Images National Database
— Serious Organised Crime Agency: Suspicious Activity Reporting Project (two workshops)
— Scottish Executive: Shared Services
— Suffolk County Council: Transport Procurement (two workshops)
— Suffolk County Council: Waste Management (three workshops)
— Training & Development Agency: Teaching Information Line

July 2008

Memorandum from the Local Government Association

About the LGA

The Local Government Association is a cross party organisation representing over 400 councils in England and Wales. The LGA exists to promote better local government. We work with and for our member authorities to realise a shared vision of local government that enables local people to shape a distinctive and better future for their locality and its communities. We aim to put local councils at the heart of the drive to improve public services and to work with government to ensure that the policy, legislative and financial context in which they operate, supports this aim.

1. *What does good government look like, and what are its necessary conditions?*

Good government involves a relationship of trust between those who are governed and those who govern. The LGA believes that good government is devolved government, with decisions being made as close as possible to the people that they affect, and the powers of government exercised at the lowest effective and practical level.

The Central Local Concordat signed between HMG and the Local Government Association[75] sought to enshrine this basic principle, in line with the European Charter of Local Self Government.

The internal and external conditions for good government apply to government at all geographic levels. One of the failings of UK government in recent decades has been to assume that only central government "governs", whereas locally elected councils do no more than "provide public services".

[75] Central Local Concordat signed 12 December 2007.

The last few years have seen a revived recognition of the role of locally elected representatives in taking wider responsibility for the overall wellbeing and quality of life of their citizens. The 2006 White Paper Creating Strong, Safe and Prosperous Communities, and subsequent legislation, has consolidated this role and "put the governing back into local government".[76]

The Select Committee is therefore urged to take a broad approach to what constitutes "good government", and to look at government at all geographic levels.

2. *Are relations between the centre of government, individual departments and frontline public sector workers organised so that each part of government can do its work effectively Is there the right balance of powers, operational responsibilities and accountability structures?*

The majority of frontline public sector workers are employed by, and relate to, those bodies which govern and provide services at local level (local councils, health providers, police services, and the devolved arms of central government).

The LGA would argue that the balance of powers, operational responsibilities, and accountability structures has not been right, but is slowly improving.

A more mature relationship, of dialogue and negotiation between central government and local areas has developed through local area agreements (LAAs), multi-area agreements (MAAs) and strengthened local partnerships (LSPs).

More responsive government, taking better account of local circumstances, aspirations, and characteristics of "place", is emerging as a result of these changes on the machinery of government. But these reforms have further to go:

- Accountability arrangements for different public services remain complex and deeply confusing for the public, undermining one of the basic pre-conditions of good government (readily understandable answers to the citizen's questions of who's in charge, and against whom can I seek redress if things go wrong?).
- Public service delivery remains insufficiently joined up, with increasing reliance now placed on non-statutory and potentially fragile partnership arrangements (Local Strategic Partnerships) to plan, co-ordinate, and deliver key outcomes at local level.
- Government continues to set too many targets and apply multiple performance regimes, despite the welcome streamlining and rationalisation that has taken place since 2004 through LAAs and the new performance framework.
- Cultural change within Whitehall, in moving from a "parent child" relationship between central and local decision-makers to one of joint endeavour and collaborative working, has not yet been fully realised.
- Principles of subsidiarity and greater local autonomy, as set out in the Central Local Concordat, are not yet consistently put into practice.

3. *What is the best way of ensuring high standards of ethical conduct among civils servants and pubic servants? How can high standards of conduct be properly enforced?*

The Committee looked in depth at the public service ethos in 2001–02, at a time when there were misgivings that such an ethos was under strain as a result of widespread privatisation and outsourcing, the compulsory competition legislation introduced for local government in the late 1980s, and the pressures on all public service providers to meet ever more demanding targets and cost efficiencies.

The LGA sees little evidence of declining standards of ethical conduct across local government. On the contrary, standards of corporate governance as measured and assessed through the Audit Commission's CPA regime continue to improve, alongside other measures of local government performance.

A recent study at the University of Bristol[77] found public sector employees in Britain do an estimated 120 million hours of unpaid overtime a year—the equivalent of employing and extra 60,000 people.

The data showed that 46% of employees in education, health and social care in the non-profit sector work unpaid overtime, compared with 29% of their counterparts in the private sector. This "unresourced contribution made by those working in local government, the health service, and other public services has for too long gone unrecognised in national policymaking.

In terms of enforcement of high standards of conduct, the LGA would plead for consistency and uniformity of approach across all levels of government, and all parts of the public sector. Core principles that the public can understand and can trust to be applied uniformly in all areas of governmental activity, are essential to good government.

[76] Introduction to statutory guidance *Creating Strong, Safe and Prosperous Communities*. CLG consultation version Nov 2007.
[77] Centre for Market and Public Organisations report published in Spring 2008 issue of Research in Public Policy.

All too often central government has failed to hold a mirror to itself when prescribing rules or legislating for other parts of the public sector. Current legislative frameworks for ensuring standards, probity, and conduct are not consistent or equivalent across different parts of government and the public sector.

4. *Do the right incentives exist for public sector workers to deliver policies effectively? For instance what would complement (or replace) targets for policy and service delivery?*

The LGA has long argued that the unplanned growth of centralised target regimes, now halted and partially rolled back during the 2007 Spending Review, has disincentivised too many public servants.

Public sector workers are incentivised when they:

— are able to make services responsive and tailored to the needs of their clients and customers, and to have some local organisational ownership of the process of service design and delivery; and

— can see the impact and benefits of what they do, and receive some recognition for their contribution.

The LGA believes that further devolution, accompanied by reduced micro-management by central government, will improve rather than impair the quality of government and public service delivery in England. Following further the direction pursued in recent years, more emphasis should be placed on collaboration and co-operation, underpinned by shared values and jointly agreed outcomes, with less reliance on top-down targetry, coercion, and intervention.

5. *Would changing the way in which policy or legislation is made increase the likelihood of successful policy delivery? How well does knowledge from policy implementation feed into policy or law making?*

The LGA has separately proposed[78] a number of changes and measures designed to help strengthen feedback from local implementation experience, into national policy development and law-making:

— a statutory duty requiring government departments and agencies at all levels periodically to review their functions and ensure that power is exercised at the lowest effective and practical level;

— establishment of a powerful Parliamentary committee charged with pre-scrutinising legislative proposals with local government implications and promote the deregulation of councils and the reduction of consent regimes; and

— allowing councils to introduce Public General Acts to Parliament.

6. *Is effective policy implementation hampered by too much change/whether in the form of constant new initiatives, or wider structural reorganisations? How does this affect public sector workers' ability to deliver policies?*

This question addresses two rather separate issues. "Initiativitis" from central government has undoubtedly created distractions and diversions for local government, and can undermine any sense that government adheres to a consistent and clearly communicated set of national priorities.

The reforms sought by the LGA in the run-up to CSR07, in arguing for a headline set of national PSA priorities and targets to underpin central/local joint working through LAAs, have been partly introduced and have helped to improve matters. The removal of ring-fencing from area-based grants, previously tied to separate government announcements and initiatives, is also now helping localities to marshal resources more effectively.

The impact of wider structural re-organisations is harder to assess, in terms of the costs and benefits over time. The local government re-organisation of recent years has (as in previous similar exercises) taken its toll on the resources and capacity of councils undergoing upheaval and change. There are potential longer-term benefits to flow from the changes.

The LGA has seen the consequences of structural re-organisations proposed (but subsequently dropped) for police forces, coupled with those implemented for Primary Care Trusts. In both instances, many councils have reported that these key local partners were diverted from partnership activity at a key period in the first phase of local area agreements.

7. *How adequate are existing mechanisms for judging government performance, such as departmental capability reviews and public service agreement targets?*

Local government has experienced (from 2002 onwards) what many would recognise as the most intensive and detailed process yet applied in the UK for judging "government performance", in the form of the Audit Commission's Comprehensive Performance Assessment regime. Few would deny that the process has brought benefits in driving up performance. The harder question is to weigh these against the costs involved, in terms of both direct inspection and assessment costs, and opportunity costs of capacity diverted.

[78] Written evidence to Joint Committee on the Draft Constitutional Renewal Bill, June 2008.

CPA is now being replaced by the lighter-touch and more forward-looking CAA regime (from April 2009). The LGA has long argued long for this to be led from the sector, through the jointly agreed National Improvement and Efficiency Strategy and through self-assessment by local authorities and their partners.

The introduction of CAA, integration of the work of separate inspectorates, and creation of the new Regional Improvement and Efficiency Partnerships, have gone some way towards aligning what were previously separate regimes for different parts of the public sector. The detailed methodology for CAA remains under development, and there continue to be some differences in view and approach between the LGA and the Audit Commission/inspectorates. These may prove capable of resolution and, as ever, the devil will be in the detail of implementation.

Compared with the inspection burden and bureaucratic overload created by CPA, the LGA sees the developments of recent years as a step forward.
Departmental capability reviews are a (belated) example of central government applying to itself some of the disciplines it imposes on others. From its perspective, the LGA has found these reviews helpful in its own dealings with Whitehall, and welcomes the additional transparency and accountability that they provide for the citizen.

It is notable that the quality of political leadership and direction, which features heavily (and often very publicly) in Audit Commission CPA assessments, does not form part of the capability review process.

The new set of national PSA targets, which are less departmentally-based and silo-bound than their forerunners, has been generally welcomed by the LGA. The new National Indicator set (198 indicators selected as covering the activities of local authorities and their key partners, and now used as the basis for LAA negotiations), remains flawed in terms of design and usability. It has suffered from lack of consultation with local agencies in its initial development stage.

8. *When weak performance in government is identified, are the right things being done to correct it? If not, what should be done about poor performance?*

The LGA would argue that the key point here is who decides on "weak" performance in government? Is this to be determined through top-down assessment based on the principle that the centre knows best? Or via bottom-up assessment based on systematic and rigorous citizen satisfaction measures, and (ultimately) the verdict of the ballot box?

The LGA has argued the case for:

- making good use of robust customer data, in the continuous improvement of public services;
- greater reliance on peer challenge and appraisal from "critical friends" as opposed to external inspection and assessment against pre-defined benchmarks;
- acceptance that places vary, and one size does not fit all; and
- recognition of the legitimacy of local political choice, including the trade-offs made by local communities and their elected representatives in balancing costs, range, scope and quality of public services for their own local area.

Concepts of "performance" and "underperformance" in government and public service delivery are neither absolute, nor universal. The vocabulary of performance management featured little in analyses of what constituted "good government", undertaken 10 or 20 years ago. The LGA would give greater primacy to the view of the citizen in judging governmental performance, at all levels of government, and would encourage the Committee to look in this direction for new solutions to age-old problems.

9. *What can we learn about good government from instances where government gets it right?*

Similar considerations apply to this question. Firstly, who is to be the judge of "where government gets it right"? Again, the LGA would argue for a stronger citizen focus, with elected representatives at all levels encouraged to strengthen their mechanisms for listening and absorbing the views of those that they represent.

June 2008

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[79] Anat Arkin, *Credit to the nation*, People Management, 10 July 2008; Sue Lownds, *Tapping the gold in those who matter most: coaching in a difficult public service delivery environment*, Platinum, March 2008; Mark Sanderson, *It's the small things that inspire us: a front line perspective on the nature of inspirational leadership*, Platinum, March 2009.

Memorandum from Sue Lownds

The attached papers[80] describe a front line programme in the Child Benefit and Tax Credits Office of HMRC that has now become a standard for others for its excellent leadership and its out of the ordinary use of front line staff to achieve and sustain a transformation of organisational culture.

It is also extraordinary in that (a) the external supplier commissioned for this project is a micro business not (as might usually be the case in the Civil Service) a major consultancy and (b) the procurement specification by the Operational Director who commissioned the consultant was so clear that it was possible to achieve the transformation of organisational culture at a phenomenal pace and reach 6,000 people for a consultancy fee of c £20 per head.

The project is a real life, working example of all of the principles (leadership, innovation, results focus not process fixation, capitalising on existing systems and staff, clarity of procurement commission etc) mentioned by Sir Michael Bichard, Lord Birt and Lord Jones to PASC as being absolutely fundamental to a transformed and improved civil service that delivers the best possible deal for the taxpayer.

This begs two serious questions:

(i) Given the multi millions of £ the taxpayer spends every single year on leadership development in order to attain a transformed civil service, why is the excellence of leadership that delivered this success so rare (see capability reviews, staff surveys)? The level of investment by the taxpayer should result in this kind of leadership being the norm, not the exception.

(ii) If such transformation can be achieved so quickly and at such low cost to the taxpayer through the use of innovation from a two-person micro business, why is the innovation of micro-businesses not procured more widely in the Civil Service? [NB It may be significant that it was an operational director, not a procurement function, that commissioned this particular micro business. The same innovative, low cost approach was submitted as a tender submission to HMRC Central Procurement and was never even read! Instead, according to the Invitation to Tender documentation, up to £5 million of public money was set aside for a leadership coaching project to reach 400 senior managers—ie up to £12,500 per head].

March 2009

Memorandum from Adam D G Macleod

I much appreciate your invitation to respond to your paper on Good Government, and the copy of your Sixth Report.

I am sorry that I was not invited to contribute to some of your earlier Reports, as I have gained a great deal of practical experience of the level of efficiency of many public bodies following extensive correspondence in recent years on a wide range of topics. Unfortunately, as I pointed out in my letter of 28 May, I am one of the 40% who do not have access to the Internet. However, as I have copied to you a number of my more critical letters, I am surprised that this did not convince you that I might have had something useful to contribute. In particular my letter of 13 May, following the Commons debate on the Civil Service, contained my comments on current serious shortcomings in Government, and suggested remedies. In addition, my letter of 28 May contained clear and damning evidence of appalling shortcomings in the Prime Minister's Office, in the Health Department Headquarters, and in the Information Commissioner's Office.

In accordance with the Freedom of Information Act 2000, I would therefore appreciate details of the individuals to whom these two letters were circulated, and any significant written comments they made.

QUESTIONS

I offer the following comments on each of your nine questions, and would be happy if they are made public in a. volume of evidence.

1. A good government should be led by a Prime Minister who is totally honest and well respected, and is supported by competent and dedicated Ministers who are able to work as an effective team. They should all be ready to consider constructive suggestions and criticisms from whatever source helpfully and objectively; and always be prepared to admit when they are in the wrong.

2. No. Ministers, and particularly the Prime Minister, are far too ready to announce new eye-catching policies without proper consultation. Confusion is also caused by all too frequent re-organisations of Departments without adequate research into the possible advantages–eg Health, Education, Justice.

3. Ministers must set an example by displaying complete honesty and integrity, and avoiding "sleaze", and Officers with the very highest credentials should be appointed to Standards Committees etc, and to senior posts in the National School of Government.

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[80] Anat Arkin, *Credit to the nation*, People Management, 10 July 2008; Sue Lownds, *Tapping the gold in those who matter most: coaching in a difficult public service delivery environment*, Platinum, March 2008; Mark Sanderson, *It's the small things that inspire us: a front line perspective on the nature of inspirational leadership*, Platinum, March 2009.

4. Expert techniques (which used to be called "Work Study") to ensure that work and procedures are carried out in the most effective way should be widely applied.

Where procedures are similar throughout a number of establishments (eg hospitals), the aim should be to reach the levels of the best.

5. Before new policies are seriously considered, all interested parties, including leaders of workers/staff involved, should be fully consulted to ensure that these new policies are practicable.

If there is any doubt about the viability of a proposed new policy, a pilot trial should be carried out to its conclusion before the new policy is introduced.

As stressed at 2 above, new policies/and new legislation/are pushed forward with far too little opportunity for consultation.

6. Very much so; and I suspect that the reason for too much change is often that a new Minister simply wishes to identify himself without proper consideration for the value of the changes he introduces. Yet too much change without good reason clearly upsets morale and stability, and can cause confusion.

7. I have already provided evidence that the recent Capability Reviews disregarded clear evidence of serious shortcomings at working levels, and that some key Departments resent rather than welcome constructive suggestions or criticism.

8. No. Managers who fail (eg in the NHS, or in planning major MOD projects) are rarely, if ever, sacked. Indeed, many are rewarded with "golden handshakes".

Disciplinary procedures should be tightened up, and more strict standards applied to appointments and promotions.

The National School of Government should commission eminent psychiatrists to hammer home with the utmost emphasis at every Management Course/Conference attended by new Ministers or Senior Staff that glossing over shortcomings, exaggerating achievements, and refusing to admit mistakes, is unacceptable in a good manager, and leads to distrust and resentment.

This message should be repeated again and again in every Management Centre in every public body throughout the Country.

9. The present adversarial type of Fragmentary procedure tends to mask evidence of good government because the Opposition:

(a) rarely praises evidence of good government, and

(b) tends to offer policies that are at varience with those of the Government rather than endorse existing policies based strictly on merit. The same applies in reverse to the Government.

Perhaps eminent psychiatrists could convince Opposition leaders that the public would have more respect for their judgment if they were more ready to praise the Government when they adopted sensible policies.

July 2008

Memorandum from the National Audit Office

SUMMARY

1. The purpose of this paper is to help the Public Administration Select Committee with its enquiry into Good Government. The paper identifies characteristics of good government, drawing on the work of the National Audit Office with an emphasis on value for money and good financial management. The scope of the paper reflects the breadth of our work, which covers the whole of central government.

2. We are presenting the Public Administration Select Committee with an additional commentary on international models of good government, prepared for us by PricewaterhouseCoopers. The commentary focuses on two countries with different constitutional arrangements from ours: France and the United States.

3. Fundamentally, government is about designing and implementing public services and programmes, and doing so in a way that inspires trust in the proper use of public money. Our paper looks systematically at these three core areas:

— design;

— implementation; and

— governance.

4. For each of these three areas, we describe the characteristics of good practice, followed by detailed consideration of activities involved in generating those characteristics. We quote extensively from our published reports in illustrating our points.

Design

5. Designing public services and programmes that serve the interests of all citizens is inherently difficult. Government has to strike a balance between keeping them as simple as possible, maximising efficiency and minimising the risk of error, and the targeting of scarce resources on assessed need, which entails administrative complexity. Timescales need to be realistic to allow enough time to plan and test new approaches before they are implemented. And customer needs must be the focus, making services accessible and flexible.

6. Good design begins with clear objectives, so that government intervenes where it can add value. Once the decision to initiate a service or programme has been taken, it is important to collect evidence in the form of reliable information and consultation with customers and stakeholders.

7. Using evidence, government needs to develop the business model for how a service or programme will be delivered. As government has moved towards achieving outcomes, rather than simply providing services, it has developed a wider range of delivery channels that involve a wider range of delivery partners. Before implementation, to make sure it will achieve its objectives, a business model needs to be assessed for both its economic and citizen impact.

Implementation

8. Once public services or programmes have been designed, they need to be implemented in a way that delivers high quality and efficient public services. They need to meet users' needs through capable, well-motivated staff, giving citizens the right to redress, and responding to redress quickly. This level of quality needs to be delivered as efficiently as possible, with departments identifying areas where they can make substantial improvements in their value for money.

9. Good implementation begins with realistic, reliable and comprehensive planning. Planning a service or programme needs a business case that allows senior decision makers to make a reliable judgement. It also needs to give enough time for implementation, considering the complexity, funding arrangements and use of innovative processes or technologies. Once planning is complete, government needs to develop its capacity to deliver that plan, in terms of the skills it needs, any innovation required, what goods or services it needs to procure, and whether it needs to outsource any of its functions.

10. As the delivery mechanisms of government have evolved, so have the required capabilities. To manage the delivery of a public service or programme well, government now needs greater ability to manage commercial contracts and projects. It needs to make the best use of technology to collect and use information. It needs to motivate its delivery partners through introducing competition and choice, and offering incentives to improve performance. And it needs to communicate effectively with the public, providing reliable and accessible information, and giving them the means to respond with their own.

11. To manage services or programmes effectively, government needs reliable performance information that helps it allocate resources, take decisions, improve programme management and report externally. This needs systems that provide good data quality, and the management capacity to use those data. This performance information is also critical to government's ability to learn from experience, as it must if it is to continually improve.

Governance

12. By promoting high quality and efficient public services that are free of fraud or corruption, sound governance is fundamental to confidence and trust in public services. To be efficient, it needs to be proportionate to the level of risk involved, minimising the administrative burdens on both staff and citizens.

13. Good governance is driven by an organisation's leadership, which needs to set clear direction and manage internal communication in a way that engages staff, builds morale, and enables quick and effective decision-making. It can be enhanced by an appropriate Board and organisational structure that encourages performance to be reviewed and challenged, and holds the appropriate individuals to account. This is particularly important in central government where Accounting Officers, who are responsible for delivering the objectives set by ministers, need a clearly defined working relationship.

14. Resources are fundamental to government's ability to design and implement public services and programmes. Departments need the skills to effectively manage financial resources, often on a very large scale, through accurate forecasting and linking financial with operational performance information. It needs to manage substantial assets such as property, equipment and infrastructure. And it needs to get the most from IT to increase accessibility to its services and reduce costs.

15. All services and programmes carry an element of both financial and operational risk. Government needs to identify and manage these risks in order to minimise fraud and error and the possibility that they fail to deliver. This is particularly important when it needs to take action swiftly. On these occasions it may be acceptable to bypass some of the usual requirements for good design and implementation, so long as there

are clear processes in place to manage the associated risks. Assigning personal accountability and having transparent reporting are critical features of good governance that help manage both risk and overall government performance.

Part One—Design

1.1 Well designed programmes have three important characteristics: simplicity; realistic timescales; and customer focus. This section explores these characteristics, and then discusses the factors that help to generate good design.

Simplicity

1.2 Improving outcomes for all citizens fairly, equitably, and efficiently is inherently difficult. Complexity is often inevitable in government objectives. Child benefit, paid at a flat rate to all families with children, is relatively simple. Means-testing, which factors in people's needs when distributing benefits, adds unavoidable complexity. Complexity needs to be managed because it increases the risk of fraud, error, delays and higher administrative costs.[81]

1.3 Errors in administering complex programmes can create real problems for citizens. Tax credits represented more than half of all complaints received by Her Majesty's Revenue & Customs in 2006–07. The proportion of complaints fully or partly upheld by the Ombudsman, at 74%, was higher than for any other source of complaints. Many were about the process for recovering overpayments and its impact on customers.[82]

1.4 Departments have to address several issues, in particular:

- considering how complicated a system needs to be, and the effects on service delivery, both for users and front-line staff;
- identifying and removing unnecessary complexity and bureaucracy in order to maximise efficiency and minimise the risk of error;
- assessing the risks that simplification may disadvantage some citizens, be costly or require difficult legislative change; and
- managing any complexity that is inherent in a government objective, such as the complexity of means-testing.

Realistic timescales

1.5 Programmes with unrealistic timescales are still common within government.[83] Detailed delivery timescales are often governed by timeframes set out at the design stage.

1.6 Managing timescales well means:

- allowing time for early planning and detailed specification, saving both time and resources in the long run;
- making full use of closely monitored and evaluated pilots to test schemes on a small scale, prior to rolling out and testing on a larger scale; and
- managing pressures to change timescales once they have been agreed and built into programmes.

Customer focus

1.7 Departments often place insufficient emphasis on citizens' needs when acting to improve services. HM Revenue & Customs introduced shorter forms for people with simple tax affairs, simplifying information at the same time. However, some guidance still required a reading age of 16 to 17 years old, a level which less than half the UK's adult population reaches.[84]

1.8 Programmes with a strong customer focus are successful in:

- ensuring people can access services easily;
- understanding what information customers need;
- responding to customers' needs flexibly, coordinating with other service providers where appropriate; and
- telling customers what they can expect, and what they need to do.

[81] *Dealing with the complexity of the benefits system*, NAO, HC 592, 2005–06.
[82] *Tax Credits and PAYE*, 8th Report, PAC, HC 300, 2007–08.
[83] *The National Programme for IT in the NHS: Progress since 2006*, NAO, HC 484, 2007–08.
[84] *Helping individuals understand and complete their tax forms*, NAO, HC 452, 2006–07.

Achieving good design

1.9 The following sections discuss some of the activities involved in good design, as summarised in the table below.

Initiating services and programmes

1.10 Good programme development starts with clear objectives. The Government has an objective to intervene only where necessary, reducing the burden of legislation while maintaining protections.

1.11 A clear understanding of the problem to be tackled, and consideration of a range of possible responses that include doing nothing, are the basis of good programme initiation.

— A robust analysis of a problem allows departments to develop objectives that clearly relate to the solution. The objective for the former Department of Trade and Industry's Renewables Obligation Order 2002 was clearly defined, specific and measurable, enabling the Department to monitor whether the Order achieved its objectives.[85]

— Clear objectives help departments assess a range of programme options. The Department of Trade and Industry did not undertake a systematic appraisal of the options available for discharging the accumulated personal injury liabilities it acquired from the British Coal Corporation. As a result, the taxpayer had to pay too much in administration costs and many claimants had a long wait for compensation.[86]

— Including an option to do nothing helps ensure that government regulates only when necessary and is useful in demonstrating the net impact of regulations. The Department for Communities and Local Government considered four options, including doing nothing and a non-regulatory option, when developing legislation on high hedges.[87]

Collecting evidence

1.12 Evidence, based on reliable information and appropriate consultation, including whether similar programmes have succeeded or failed in the past, helps departments to decide detailed programme contents.

Reliable information

1.13 Clear decisions should be backed up by a detailed justification for choosing the preferred option. However we have found that the evidence base in many impact assessments is weak, particularly on costs and benefits, with the risk of poorly informed policy decisions.[88]

1.14 Good practice in collecting evidence includes drawing on a range of sources, verifying the quality of the evidence collected, incorporating relevant assessment expertise, and ensuring transparency.

— Information collected directly from source can be particularly strong. The Department for Communities and Local Government visited many small businesses when designing the Fire Safety Order.[89]

— Using a broad range of expertise strengthens evidence analysis. The Home Office used a joint team from its Immigration and Nationality Directorate, the Department for Education and Skills, and the British Council to analyse evidence for its "Leave to Remain" policy.[90]

[85] *Evaluation of Regulatory Impact Assessments Compendium Report 2003–04*, NAO, HC 358, 2003–04.
[86] *Coal Health Compensation Schemes*, NAO, HC 608, 2006–07
[87] *Evaluation of Regulatory Impact Assessments Compendium Report 2004–05*, NAO, HC 341, 2004–05.
[88] *Evaluation of Regulatory Impact Assessments Compendium Report 2004–05*, NAO, HC 341, 2004–05
[89] *Evaluation of Regulatory Impact Assessments 2006–07*, NAO, HC 606, 2006–07.
[90] *Evaluation of Regulatory Impact Assessments 2005–06*, NAO, HC 1305, 2005–06.

Consultation

1.15 Consultation allows departments to gather stakeholders' views and secure buy-in. Subjecting proposals to external challenge can help to identify unforeseen consequences of proposals and test the impact of different options. Methods include surveys, focus groups, workshops, road shows and web-based forums.

1.16 Effective consultation allows sufficient time for responses, makes it as easy as possible for stakeholders to respond, and makes full use of responses.

— Good consultation includes all stakeholders. Development of the Pension Credit was informed by discussions with a group of representatives from local government, the voluntary sector and other experts.[91] By contrast, the Home Office did not engage effectively with the local community or its elected representatives when planning an accommodation centre for asylum seekers. It had to cancel the project at a cost of £29 million after strong public opposition.[92]

— A combination of approaches often secures the best responses. The Department of Health used focus groups, reference groups, seminars, one day surgeries, and feedback events when consulting on national minimum standards for care homes.[93]

— Publishing consultation responses helps to demonstrate candour about the uncertainty that sometimes surrounds government programmes. The former Department of Trade and Industry included its own estimates of labour costs and those of the British Vehicle Salvage Federation during consultation about the End of Life Vehicles Directive.[94]

— Publicly explaining how consultation results have affected programme design is important to reassure contributors that their input has been worthwhile.[95]

Developing the business model

1.17 Capability Reviews found that departments often do not understand or communicate their business models well. Business models involve choices around delivery mechanism and delivery partners.

Delivery mechanism

1.18 As departments' aims have moved towards achieving outcomes rather than simply providing services, they have developed a wider range of delivery mechanisms.

1.19 Some objectives, like passport provision, are still met through a service. Others, like the aim to improve the health of the nation, require a combination of service provision and action to change people's behaviour.

— As the focus of service delivery has shifted more towards citizens, government has put more decisions in the hands of users. Adult social care is beginning to offer citizens the freedom to choose the services they need within personal budgets.[96] This approach requires citizens to be well-informed and to have access to help in taking decisions.

— Government takes various measures to change citizens' behaviour, including information campaigns, funding, taxation and regulation. The gap between citizens' awareness and their behaviour, for example in household energy consumption, is a major challenge.[97]

Delivery partners

1.20 A single department rarely controls all the resources it needs to achieve its programme aims efficiently. Programme design increasingly involves identifying which other organisations would make the most effective delivery partners. A service or programme may be best delivered at a local level, or it may need help from the private or third sectors. Government's high level objectives for the three year period between 2008 and 2011, expressed in 30 cross-cutting Public Service Agreements, require departments to work together.

— All government programmes need clearly defined goals, strong leadership, good measurement of progress, sufficient resources, and effective working relationships.[98] These requirements become even more critical in partnership working.

[91] *Tackling Pensioner Poverty—Encouraging the Take-up of Entitlements*, NAO, HC 37, 2002–03.
[92] *The Cancellation of the Bicester Accommodation Centre*, NAO, HC 19, 2007–08.
[93] *Evaluation of Regulatory Impact Assessments Compendium Report 2003–04*, NAO, HC 358, 2003–04.
[94] *Evaluation of Regulatory Impact Assessments Compendium Report 2004–05*, NAO, HC 341, 2004–05.
[95] *Developing Effective Services for Older People*, NAO, HC 518, 2002–03.
[96] *Making it Personal*, Demos, 2008.
[97] *Programmes to reduce household energy consumption*, NAO, HC 787, 2007–08.
[98] *Joining Up to Improve Public Services*, NAO, HC 383, 2001–02.

— Lack of direct control increases the need for performance levers with associated sanctions and rewards.[99] Arrangements need to address potential tensions between partners, for example between national and local objectives.

— Departments increasingly turn to the private and third sectors as delivery partners, spending £79 billion in this way in 2007–08.[100] Public bodies often struggle to coordinate their activities with the third sector.[101] They also lack clear evidence of the effectiveness of using the third sector.[102]

Assessing impact

1.21 Sound programme choices are informed by a good understanding of the likely impact of different options, particularly their economic consequences and how they affect different groups of citizens.

Economic impact

1.22 Regulatory Impact Assessments are intended to examine the economic impact of policy proposals, but four out of 19 had serious weaknesses in 2007 while there was room for improvement in a further 14.[103] Parliamentary Committees examining draft legislation make little use of Regulatory Impact Assessments because they do not trust the quality of the information.[104]

1.23 Despite shortcomings, there are instances of good practice.

— Sensitivity analysis takes account of uncertainty. The Home Office's impact assessment for its graffiti removal policy considered variations in: costs arising from local authorities having to issue notices; existing levels of compliance; and the extent to which affected parties already carried out graffiti clean-up operations.[105]

— Securing relevant expertise helps departments evaluate all the potential impacts of a programme. To assess the enforcement costs of banning smoking in public places, the Department of Health commissioned estimates from an independent enforcement consultant and held discussions with experts from countries that had implemented bans.[106]

Citizen impact

1.24 Individual citizens have different needs and demands, so programme design cannot consider citizens as one whole, but as different groups. Private sector organisations routinely divide their customer bases into segments, each containing people with characteristics similar to each other but different from those in other segments.

1.25 Programmes are likely to have the greatest impact on citizens if they are tailored specifically for different groups.

— The decision about how to segment customers depends on the issue. When considering access to primary health care, the needs of older retired people and younger working people clearly differ. An appropriate segmentation for roads policy would differentiate between the needs of pedestrians, cyclists and drivers.

— It is also important to determine whether new programmes could have unintended effects on particular sectors of society. For example, the Department for Culture Media and Sport failed to take into account the impact of new licensing regulations on small businesses.[107]

Part Two—Implementation

2.1 Even a well-designed programme can fail if it is not implemented properly. Good implementation has two essential characteristics: high quality public services and outcomes, delivered with efficiency and value for money. This section describes these characteristics, and then discusses the activities that support good implementation.

[99] *The use of sanctions and rewards in the public sector*, NAO, September 2008.
[100] *Public Services Industry Review*, Department for Business, Enterprise and Regulatory Reform, 2008.
[101] *Working with the Third Sector*, NAO, HC 75, 2005–06.
[102] *Public Services and the Third Sector: Rhetoric and Reality*, 11th Report, PASC, HC 112, 2007–08.
[103] *Evaluation of Regulatory Impact Assessments 2006–07*, NAO, HC 606, 2006–07.
[104] *Ibid*.
[105] *Evaluation of Regulatory Impact Assessments 2005–06*, NAO, HC 1305, 2005–06.
[106] *Evaluation of Regulatory Impact Assessments 2006–07*, NAO, HC 606, 2006–07.
[107] *Evaluation of Regulatory Impact Assessments 2005–06*, NAO, HC 1305, 2005–06.

High quality

2.2 Citizens want public services that work. They want them to be easy to find out about, simple to use and responsive to their needs. They want them to deal with their requirements, preferably in one go and, if they cannot do this, they want to know by when they will be dealt with. They do not want to be passed between different offices or handled by staff who know little or nothing about them. They do not want to be greeted by impersonal answer phone messages or expected to complete long forms.[108]

2.3 A high quality public service has the following characteristics.

- Arrangements for delivering it are robust and well-developed.
- It has been designed to meet users' needs and to be simple to understand, cost effective and repairable if it fails.
- Staff are capable, well-motivated, well-trained and, especially on the front line, able to empathise with and improve the satisfaction of customers.
- Recognising that mistakes will sometimes happen, those who deliver the service will appreciate citizens' right to redress, establish efficient complaint and compensation channels that are accessible to all, and be swift to provide redress where things go wrong.
- The service itself and its performance levels will be publicised to all users, using innovative approaches as well as established methods.
- Those who deliver the service should promise only what can realistically be achieved, concentrating on understanding the service's capabilities and repeatedly delivering to the same high standards.

Efficiency and value for money

2.4 An increased focus on public service efficiency, following the 2004 Gershon Review, will continue in the current Spending Review period.[109] There is scope for improvement in several key areas.

- Strong strategic leadership at the centre of government is necessary to achieve greater efficiency and effectiveness. The Cabinet Office estimates that departments could save £1.4 billion a year by implementing shared corporate services. However, it has no timetable for achieving this level of saving, lacks clear baselines of current costs and performance, and has not defined benchmarks against which to measure performance.[110]
- Public bodies can make savings by comparing their efficiency to others and acting on the results. Departments' performance in managing office property varies significantly and, taken overall, is 40% worse than in the private sector. There are potential annual savings of £326 million, with even more if arm's length bodies were to perform to the same standards.[111]
- There is great scope for savings if different parts of the public sector worked jointly to achieve efficiencies. For example, public bodies could get better value when using consultants by sharing information routinely, within and across organisations, about price and performance.[112]

Achieving good implementation

2.5 The following sections discuss some of the activities involved in good programme implementation, as summarised in the table below.

[108] *Delivering high quality public services for all*, 63rd Report, PAC, HC 1530, 2005–06.
[109] Budget 2008: the government aims to deliver £30 billion of net cash-releasing savings by 2010–11.
[110] Improving corporate functions using shared services, NAO, HC 9, 2007–08.
[111] *Improving the efficiency of central government's office property*, NAO, HC 8, 2007–08.
[112] Central government's use of consultants, NAO, HC 128, 2006–07.

Planning

2.6 Programmes' high level outcomes and timings have to be backed up by more detailed implementation plans. This involves developing business cases and establishing detailed implementation timings.

Business case

2.7 There are always competing demands on a department's resources, so senior decision makers need to know whether a project or programme is a sensible investment.

- Business cases must be free of bias. The preferred bid in the business plan for the Paddington Health Campus Scheme proved to be greatly over-optimistic. The 2000 plan estimated costs of £300 million and completion in 2006. By 2005 the projected costs had risen to £894 million, with completion slipping to 2013.[113]
- An adequate business case includes plans for realising and measuring benefits, and addressing the risks in achieving them. The project to build an accommodation centre at Bicester to house asylum seekers cost the taxpayer £29 million and delivered no benefits.[114] The business case did not fully recognise the risks being faced. The project was finally abandoned when it became clear that benefits would never exceed costs.
- When using external suppliers to deliver a project or programme, public bodies need good evidence that there is a sufficiently strong market to deliver it. Factors that may weaken bidders' interest include knowledge that a dominant supplier is already involved, project size or complexity, or the existence of other bidding opportunities. The proportion of private finance projects receiving only two bids increased from 15% for projects that closed prior to 2004 to 33% for those closing between 2004 and 2006.[115]

Timing

2.8 The timing of implementation needs to balance the benefit of putting arrangements in place as early as possible against the risk to service quality of moving too quickly.

2.9 Getting the timing right involves judging the complexity of a programme, looking in detail at funding arrangements, and assessing the risks in using innovative processes or technology.

- When introducing the Single Payment Scheme, the Department for Environment Food and Rural Affairs chose to implement the most complex option for reform in the shortest possible timescale, and the Rural Payments Agency badly underestimated the scale of the task. This led to delays in making payments to farmers, erroneous payments and additional project and administrative costs.[116]
- The Inland Revenue introduced on-line income tax self assessment in 2000 with a major advertising campaign before the product was fully complete.[117] Over 100,000 customers were persuaded to test the service, but system problems led to poor service and bad publicity.
- Projects require access to funding at the right time. The Department for Communities and Local Government distributed grant funding for the Thames Gateway regeneration programme to meet its own cash-flow needs rather than those of recipients, providing nearly half the grant in the last month of the financial year.[118]

Develop capacity

2.10 Once a programme plan has been developed, organisations have to secure the capacity to deliver. This can include recruiting or developing the right skills, procuring goods and services, outsourcing entire functions, and innovating.

[113] *The Paddington Health Campus Scheme*, NAO, HC 1045, 2005–06.
[114] *The cancellation of Bicester Accommodation Centre*, 25th Report, PAC, HC 316, 2007–08.
[115] *Improving the PFI tendering process*, NAO, HC 149, 2006–07.
[116] *The Delays in Administering the 2005 Single Payment Scheme in England*, NAO, HC 1631, 2005–06
[117] *E-Revenue*, NAO, HC 492, 2001–02.
[118] *Thames Gateway: Laying the Foundations*, NAO, HC 526, 2006–07.

Skills

2.11 Changes in technology, new commercial approaches, and continuous pressure to improve performance make it necessary for public bodies to adjust their mix of skills and expertise. The demand for professional skills in government was highlighted in the 1968 Fulton report and is as relevant today with shortfalls in key skills such as programme and project management, IT and finance. Capability Reviews and the Professional Skills for Government initiative illustrate the continuing emphasis on skills.

2.12 Good management of skills involves identifying skills requirements, planning a model for recruitment, and attracting and retaining the right personnel.

— The Defence Procurement Agency recognised that it did not have a detailed picture of the skills it would need for the future, so it conducted workforce planning for specialist streams, developing recruitment and retention plans to meet its needs.[119]

— A good staffing model will assess the impacts of employment activities in both the short and long term. The Royal Navy is still affected by a loss of skills resulting from recruitment cutbacks in the 1990s.[120]

— Introducing more flexible pay structures for specialists can help with skill shortages. The Ministry of Defence broke the link between pay and rank for its doctors and pilots to aid recruitment and retention. It has since extended the approach to nurses, IT staff and linguistics specialists.[121]

— Public bodies can build their skills capacity by recruiting specialists on short-term contracts, and then transferring those skills from the private sector. The Ministry of Defence's Procurement Reform Programme included a contract requirement to transfer skills from consultants to permanent employees. The success of the skills transfer was improved by using it to trigger part of the consultants' payments.[122]

Innovation

2.13 Innovation is the process of developing and implementing new ideas in ways that improve organisational performance. Innovation can help public services become more effective by reducing costs, increasing productivity and offering improvements to customers.[123] Its importance is illustrated by initiatives such as the introduction of the e-Government Unit and the creation of the Department for Innovation Universities and Skills to promote innovation in the UK economy, including the public sector.

2.14 The right culture and management approach can encourage innovation and well-managed risk taking.[124]

— A joined-up approach to innovation can help to embed a culture of innovation in government by spreading good practice and sharing lessons. The Invest to Save initiative attempted to encourage this by providing funding to projects that promoted new ways of working between government organisations.[125]

— Innovation has to be managed systematically. This includes regular collection and use of performance data on innovation, piloting and review of new approaches, and senior management involvement in learning and sharing lessons from across government and the private sector.[126]

Outsourcing

2.15 Outsourcing can be an effective way for government to use expertise from the private sector in building capacity rapidly in specialised areas. It requires an assessment of needs and capacity, the knowledge and skills for public bodies to become intelligent clients, fair competition for contracts, and effective analysis of bids.

— The Ministry of Defence needed to know its own requirements and capabilities when considering a contractor's bid for maintaining aircraft ejection seats. A series of studies into future maintenance needs provided a benchmark against which to measure the bid and helped in redesigning the maintenance process. The Department concluded that using internal maintenance offered better value in the longer term than outsourcing.[127]

[119] *Driving the Successful Delivery of Major Defence Projects: Effective Project Control is a Key Factor in Successful Projects*, NAO, HC 30, 2005–06.
[120] *Recruitment and Retention in the Armed Forces*, 34th Report, PAC, HC 1633, 2006–07.
[121] *Ibid*
[122] *Central government's use of consultants*, NAO, HC 128, 2006–07.
[123] *Achieving Innovation in Central Government Organisations*, NAO, HC 1447-I, 2005–06.
[124] *Achieving Innovation in Central Government Organisations*, NAO, HC 1447-II, 2005–06.
[125] *Managing Risks to Improve Public Services*, NAO, HC 1078-I, 2003–04.
[126] *Achieving Innovation in Central Government Organisations*, NAO, HC 1447-I, 2005–06.
[127] *Transforming logistics support for fast jets*, NAO, HC 825, 2006–07.

— In-house expertise of outsourced functions helps in assessing bids, and measuring and challenging suppliers' performance. The Child Support Agency outsourced most of its IT capability, losing its internal expertise to verify assurances from the supplier, EDS.[128] The IT system went live with 14 critical defects and 500 other faults that affected the accuracy of Child Benefit calculations and lost the trust of staff.[129]

— There is a risk of not receiving best value when contracts expire because incumbent suppliers hold an advantage over competitors. When reletting its IT contract, HM Revenue & Customs attracted competition by paying for bidding costs as well as costs of transition from the current system.[130]

— Outsourcing can raise issues around intellectual property rights. The Identity and Passport Service is trying to quantify the risk of infringing patents relating to new ePassports, as the contractor owns several rights to the technology.[131]

Procurement

2.16 Central government spent approximately £95 billion on goods and services in 2007–08,[132] while the figure for the wider public sector was far greater. Good value for money in procurement requires consideration of the whole life costs of goods and services being procured, coordination to take advantage of economies of scale, commercial skills to manage the procurement process, and the ability to draw on knowledge and lessons learned.

— Good procurement is not simply about initial purchase price. Whole life costs are key, from purchase, through maintenance and operation, to contract termination or disposal of assets. Quality and sustainability are central issues. Pressure to reduce initial costs has been one of the main barriers to sustainable procurement.[133]

— Public sector procurement has been uncoordinated in the past, which means that organisations may pay more than they need. There are over 50 public sector procurement organisations operating across the UK, many of which offer framework agreements for the same goods and services.[134]

— Professional skills can help Departments be more commercially astute, using buying power and professional procurement expertise to secure better deals. HM Prison Service has made good progress in implementing a new procurement strategy, led by a centralised professional team and backed up by regional units.[135]

Managing delivery

2.17 Managing the delivery of programme objectives demands strong information, sound project and contract management, good use of consultants, competitive markets, incentives, and good public communication.

Information management

2.18 Information is often central to delivering services, such as calculating taxes and benefits or treating patients. Technology is playing an ever-increasing role, making information management more efficient but also introducing significant new risks such as data loss.

2.19 Good information management is about collecting and sharing the right information for government's own purposes, helping citizens take and use the information they need, and maintaining adequate data security.

— E-government can make it easier for citizens to conduct transactions. The Department for Transport and its Agencies made vehicle registrations and Vehicle Excise Duty payment available on-line at the end of the 1990s. Simplifying processes, reducing turnaround times and making services available 24 hours a day led to higher levels of customer satisfaction.[136]

— Information sharing between public bodies brings risks that must be managed. As part of the National Programme for IT, the NHS set out various policies to maintain the security of patient information, as well as operational controls such as smartcards, passwords, and variable access rights.[137]

[128] *Child Support Agency: Implementation of the Child Support Reforms*, 37th Report, PAC, HC 812, 2006–07.
[129] *Child Support Agency: Implementation of the Child Support Reforms*, NAO, HC 1174, 2005–06.
[130] *HM Revenue & Customs: ASPIRE—the re-competition of the outsourced IT services*, NAO, HC 938, 2005–06.
[131] *Identity and Passport Service: Introduction of ePassports*, NAO, HC 151, 2006–07.
[132] *Public Expenditure Statistical Analyses 2008*, HMTreasury.
[133] *Sustainable procurement in central government*, NAO, September 2005.
[134] *Assessing the value for money of OGCbuying.solutions*, NAO, HC 103, 2006–07.
[135] *The procurement of goods and services by HM Prison Service*, NAO, HC 943, 2007–08.
[136] *Electronic service delivery in the driver, vehicle and operator agencies in Great Britain*, NAO, HC 204, 2007–08.
[137] *The National Programme for IT in the NHS: Progress since 2006*, NAO, HC 484-I, 2007–08.

— Good information use can reduce the administrative burdens on citizens and public bodies. In contrast, people claiming under Coal Health Compensation Schemes had to sign mandates allowing access to numerous pieces of information including GP, hospital, and social security records.[138] This created substantial work for those claiming compensation, as well as for public bodies in providing and collating documentation.

Project management

2.20 Good project management is important for good service outcomes, as it can affect all aspects of delivery, from the allocation of resources to staff motivation and performance measurement. A lack of skills and proven approach to project management is one of eight common causes of project failure.[139]

2.21 Good project management is about people having the right skills and communicating properly.

— It is important to retain staff with good project management skills, knowledge and experience throughout the course of a project. By 2001, the National Probation Service Information Systems Strategy was late and over budget, and on its seventh programme director in seven years.[140]

— Open working relationships between public bodies and delivery partners can help with areas such as risk management, contract incentives and innovative ways of working.

— Thorough testing of processes and production equipment, progressive implementation rather than a sudden switch of systems, and an effective communication plan all help projects to succeed. Attention to these factors enabled the Identity and Passport Service to deliver the ePassport programme to time, cost and quality standards.[141]

Contract management

2.22 Contracts are at the heart of many public services and programmes. Under the Private Finance Initiative alone there are over 500 operational projects. Future payments are worth over £90 billion up to 2031–32.[142]

2.23 Sound commercial skills and the ability to negotiate contractual mechanisms help to protect value for money.

— Getting the best value from contracts depends on the ability of the public sector to negotiate good deals. Mechanisms like market testing and benchmarking can preserve value for money in long term contracts when market prices change. The Ministry of Defence periodically benchmarked its fixed telecommunications contract to monitor BT's value as a supplier, helping to reduce costs.[143]

— Outsourced implementation carries the risk of contractors not delivering. The National Physical Laboratory suffered long delays to a building specification and construction project carried out by Laser.[144] The former Department of Trade and Industry had assumed that the financial consequences of failure for the contractor would ensure delivery despite the demanding specifications. In fact, the contractor's failure to deliver resulted in termination of the contract, delaying completion of the building by six years.

— Contract variations brought about by changing requirements can present high risks to value for money, as changes are often made without competition and can attract additional fees. In 2006 alone, changes to operational deals under the Private Finance Initiative cost £180 million.[145] Organisations can improve their contractual terms by providing for competitive tendering when changes are necessary.

Consultants

2.24 There is significant room for improvement in how the public sector uses consultants.[146] In 2005–06, the public sector spent approximately £2.8 billion on consultants, a 33% increase on spending in 2003–04.[147] Where they bring relevant expertise, consultants can contribute much to government clients. Annual efficiency gains of 30% could be achieved, however, releasing more than £500 million a year.[148]

[138] *Coal Health Compensation Schemes*, NAO, HC 608, 2006–07.
[139] *Common Causes of Project Failure*, Office of Government Commerce/NAO, OGC website.
[140] *The Implementation of the National Probation Service Information Systems Strategy*, NAO, HC 401, 2000–01.
[141] *Identity and Passport Service: Introduction of ePassports*, NAO, HC 152, 2006–07.
[142] *Making Changes in Operational PFI Projects*, NAO, HC 205, 2007–08.
[143] *The Private Finance Initiative: The Contract for the Defence Fixed Telecommunications System*, NAO, HC 328, 1999–2000.
[144] *The termination of the PFI Contract for the National Physical Laboratory*, NAO, HC 1044, 2005–06.
[145] *Making Changes in Operational PFI Projects*, NAO, HC 205, 2007–08.
[146] Treasury Minute reply to 31st PAC report 2006–07, Cm 7216.
[147] *Central government's use of consultants*, NAO, HC 128, 2006–07.
[148] The NAO's Consultancy Assessment Toolkit, available on the NAO website, contains assessment questions as well as guidance on using consultants.

2.25 Government organisations could be smarter and more commercially astute in their use of consultants.[149]

- Consultants are often used when in-house staff already have the necessary skills and are cheaper. In the public and private sectors, 40% of organisations have used consultants when they did not need to.
- Understanding what skills are core allows organisations to build their own capacity by recruiting and training the right staff. IT and project management skills are particularly important.
- Contracts with incentives and fixed prices help to control costs and formalise joint objectives between client and supplier. In 2005–06, the average central government organisation commissioned only 1% of consulting projects using incentives in contracts.
- Better management information on an organisation's entire spending on consultants can help in comparing price and quality, negotiating best prices, and assessing whether benefits justify costs.

Competition and choice

2.26 Departments have been making greater use of competition and market forces to improve efficiency since the 1980s. Building on privatisation and private sector delivery, departments are now using competition and choice within the public sector to drive change.

2.27 A competitive market requires greater information for the consumer, as well as the freedom to change suppliers.

- To aid choice, consumers need performance measures that allow fair comparison. Since earlier work by the National Audit Office,[150] the Government has developed school performance measures that adjust for both pupils' prior attainment and characteristics such as gender and family background. These measures provide an indication of the progress that a school's pupils have made, and are published alongside less sophisticated measures based on pure academic attainment.
- Greater citizen choice often requires providers to change their behaviour. The Department of Health had a target that by the end of 2005 every hospital appointment would include the right of the patient to choose the hospital. However, by May 2008, only 45% of patients surveyed recalled being offered a choice of hospitals by their GP.[151]

Incentives

2.28 As the business of government has become devolved, outsourced, and delegated in other ways, there is a greater focus on the need to provide incentives for better performance. The performance levers used to motivate delivery bodies can be strengthened through rewards for good results and sanctions for poor results. Rewards and sanctions can be:

- financial, in the form of bonuses or penalties;
- operational, such as granting organisations greater or lesser autonomy from inspection; or
- reputational, as in the publication of league tables.

2.29 Rewards and sanctions have to be designed and used in a way that exerts the right influence on those subject to them.

- Only 40% of major government programmes use formal rewards or sanctions to improve performance.[152]
- Sanctions or rewards must be set at the right level to have the desired motivational effect. The Department for Environment Food and Rural Affairs was fined by the European Commission for failures in its delivery partners, but it passed on only 5% of this fine to partners.[153]
- Delivery bodies need confidence in data used to assess performance and determine rewards or sanctions. The National Treatment Agency invested substantially in its data system, which now produces data that are trusted by delivery partners and are used to reward more efficient organisations with increased funding.
- Sanctions and rewards must be applied consistently. The Child Support Agency failed to do so, signalling to people that it is easy to avoid penalties. At the time of our report, only 19,000 out of the 247,000 cases of complete and partial non-compliance were being dealt with by the Agency's Enforcement Directorate.[154]

[149] *Central government's use of consultants*, NAO, HC 128, 2006–07.
[150] *Making a Difference: performance of maintained secondary schools in England*, NAO, HC 1332, 2002–03.
[151] Provisional headline results, National Patient Choice Survey, England, May 2008, Department of Health, 2 September 2008.
[152] *The use of sanctions and rewards in the public sector*, NAO, September 2008.
[153] *Ibid*
[154] *Child Support Agency—Implementation of the child support reforms*, NAO, HC 1174, 2005–06.

Public communication

2.30 Public services will not meet expectations if communication between service providers and users is ineffective.[155] Citizens need to know what services are available and how to use them, including how to assess eligibility. The internet, leaflets, letters and forms, call centres and front-line staff are all important in communication between government and the public.

2.31 Effective communication means providing reliable and accessible information, and giving users the means to respond with their own information.

- None of the Department for Work and Pensions' leaflets was likely to be fully understood by those of low literacy, and most required a reading age higher than the national average, preventing them from serving their purpose.[156]
- Government spends over £200 million a year delivering services and providing information on-line.[157] However, a third of government websites do not comply with the Government accessibility standards, making it difficult for disabled users to access information.
- Groups most likely not to use the internet, such as the elderly and people with low incomes or low education, risk being excluded.[158] Public bodies need to continue to offer high quality telephone, post and face-to-face services for those who prefer not to use online services.
- Well-designed forms make it easy for customers to provide accurate and complete information. They are short and simple, with clear and concise guidance that tells customers what they need to know and where to get help. HM Revenue & Customs removed the need for an accompanying booklet about its PAYE Notice of Coding by tailoring guidance to personal circumstances and including it on a single short form.[159]
- Customer complaints systems can provide feedback to measure and improve service performance, but departments do not make enough use of the information.[160]

Measuring performance

2.32 Effective delivery requires public bodies to measure and review performance, especially where delivery is undertaken by others. Well-designed performance information systems ensure data quality and provide information that enables staff to take action.

Designing performance information systems

2.33 Performance information should identify how an organisation is progressing towards its objectives. A key factor in the failure of the introduction of the Single Payment Scheme was that the Rural Payment Agency did not have information on the number of outstanding claims, or the time it would take to complete them.[161]

2.34 A performance information system needs to be focused on an organisation's aims and objectives, appropriate to the stakeholders who are likely to use it, balanced across the organisation's work, robust to withstand organisational changes, integrated into the management processes, and cost-effective.[162] In particular, our work has highlighted issues of focus and balance.

- Performance measures can focus on inputs, outputs or outcomes. While inputs and outputs are generally easier to measure, they do not necessarily reflect the outcomes citizens want. Only 15% of Public Service Agreement targets for 1999–2002 used measures of service outcomes, rising to 79% for 2005–08.[163]
- Government performance information systems do not always include a balanced set of measures that focus management attention on all important aspects. The Department for Communities and Local Government set targets and measured progress for some of its objectives for the Thames Gateway Programme, but did not do so for others.[164]

[155] *Delivering High Quality Public Services for all*, 63rd Report, PAC, HC 1599, 2005–06.
[156] Department for Work and Pensions, *Using leaflets to communicate with the public about services and entitlements*, 7th Report, PAC, HC 133, 2006–07.
[157] *Government on the Internet: Progress in delivering information and services online*, 16th Report, PAC, HC 143, 2007–08.
[158] *Ibid*
[159] Treasury Minute, reply to 20th PAC Report 2006–07 Cm 7366.
[160] *Citizen redress: What citizens can do if things go wrong with public services*, NAO, HC 21, 2004–05.
[161] *The Delays in Administering the 2005 Single Payment Scheme*, NAO, HC 1631, 2005–06.
[162] *Choosing the right FABRIC—A Framework for Performance Information*, HMTreasury, Cabinet Office, National Audit Office, Audit Commission, Office for National Statistics, 2001.
[163] *Measuring Performance in Government Departments*, NAO, HC 301, 2000–01.
[164] *The Thames Gateway: Laying the Foundations*, NAO, HC 526, 2006–07.

Ensuring data quality

2.35 Effective use of performance measures and targets to improve public sector delivery requires good quality data. Inaccurate data can cause or hide poor service. Managers and staff at some NHS Trusts manipulated activity and records to make it appear that they had hit waiting list targets. Some patients waited longer than they should have done and their conditions may have deteriorated during the longer wait.[165]

2.36 Systems used to collect and analyse performance information must be reliably specified and operated, and must present results clearly.

— Only 50% of the systems used by departments to measure performance against their Spending Review 2004 Public Service Agreement targets are fully fit for purpose.[166]

— Data systems need controls that mitigate risks to data quality. Measuring the number of offenders brought to justice relies on crime data from many police forces and courts, carrying a risk of inconsistent data collection. To manage this risk, the Home Office developed and implemented the National Crime Recording Standard.[167]

— Performance information must be presented clearly, transparently and comprehensively. The former Department of Trade and Industry had a target to increase business investment in research and development, measured by patents taken out in the US, EU and Japan. However, its 2006 Autumn Performance Report covered only patents taken out in the US.[168]

— Corporate governance arrangements can support data quality. As part of the 2007 Comprehensive Spending Review, all departments were required for the first time to name individual Data Quality Officers, responsible for the reliability of data used to report against Public Service Agreements.

Using performance information

2.37 Good quality performance information helps departments to allocate resources, take decisions, improve programme management and report externally. Parliament and others need both financial and performance information to assess whether resources are used well.

2.38 Performance information is most effective when it is demonstrably used by management, for example to make comparisons and quantify benefits.

— Management feedback to staff based on performance information reinforces the message that performance matters.[169]

— Performance measures can be used by managers to drive improvement by comparing performance over time and against other organisations. NHS Trusts can compare efficiency indicators, such as the average length of hospital stay, to identify opportunities to improve.[170]

— Measuring performance is important in realising benefits and demonstrating value for money. A military programme for digital radios was approved on the grounds that it would achieve significant operational benefits, but the Army did not start to measure actual benefits until two years after implementation.[171]

Learning

2.39 Learning from their own experiences and those of others can help public bodies meet commitments to deliver improvements to public services while also securing efficiency savings and tackling complex problems like obesity and climate change.

2.40 Learning can come from many different sources, such as internal experience, external partners, stakeholder and customer feedback, audits and evaluations. Public bodies need routinely to draw lessons from their actions, applying and sharing these lessons across government.

— Learning lessons needs to become part of a formal routine management process. The Department for Environment Food and Rural Affairs learnt some lessons from the outbreak of classical swine fever in 2000 but did not incorporate them into a structured national emergency response plan, partly contributing to the £3 billion cost of dealing with the 2001 outbreak of foot and mouth disease.[172] Subsequent action means the Department is now better prepared for any future outbreak.[173]

[165] *Inappropriate Adjustment to NHS Waiting Lists*, 46th report, PAC, HC 517, 2001–02.
[166] *Fourth Validation Compendium Report: Volume 1*, NAO, HC 22-I, 2007–08.
[167] *Ibid*
[168] *Fourth Validation Compendium Report: Volume 1*, NAO, HC 22-I, 2007–08.
[169] *Choosing the right FABRIC—A Framework for Performance Information*, HMTreasury, Cabinet Office, National Audit Office, Audit Commission, Office for National Statistics, 2001.
[170] *The Efficiency Programme: A second review of progress*, NAO, HC 156-I, 2006–07.
[171] *Delivering digital tactical communications through the Bowman CIP programme*, NAO, HC 1050, 2005–06.
[172] *The 2001 Outbreak of Foot and Mouth Disease*, NAO, HC 939, 2001–02.
[173] *Department for Food, Environment and Rural Affairs, Foot and Mouth Disease: Applying the lessons*, NAO, HC 184, 2004–05.

— Activities that happen frequently across government, such as the implementation of IT projects and the procurement of goods and services, offer great potential for lessons to be learned and shared. Gateway Reviews and Department Centres of Excellence offer a structured way to record and share lessons.[174]

Part Three—Governance

3.1 Governance arrangements provide a framework to protect the core functions of design and implementation. A competent governance structure assures users, stakeholders and taxpayers that departments deliver public services efficiently without fraud or corruption. Good governance is fundamental to confidence and trust in public services.

3.2 Governance arrangements must not overwhelm the activities they are designed to protect. Like all public activities, governance arrangements must be efficient, appropriate to the level of risk involved, and impose the minimum administrative burdens on staff and citizens alike.

3.3 Good governance flows from organisational culture as well as from systems and structures. The Committee on Standards in Public Life has established seven principles that it believes should apply to all in the public service.[175]

Achieving Good Governance

3.4 The following sections describe activities involved in good governance, as summarised in the table below.

Leadership

3.5 Strong leadership is about setting a clear direction and making sure the internal communication structure allows important messages to be heard throughout the organisation.

Direction

3.6 Clear direction and engagement from senior management help an organisation to communicate its priorities and commitment to staff and stakeholders.[176] A lack of direction can lead to confusion among stakeholders, poor staff morale and missed objectives.

3.7 Strong direction requires consistency of senior management appointments, as well as clear responsibilities and accountability.

— Maintaining the same leadership was a key factor in the success of the roll-out of the Jobcentre Plus office network, as it provided a consistent approach and leadership style. Stakeholders also praised senior management's active approach to managing the project, characterised by fast and effective decision-making.[177]

[174] *Delivering Successful IT-Enabled Business Change*, 27th Report PAC, HC 113, 2006–07.
[175] The seven principles are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
[176] *Delivering successful IT-enabled business change*, NAO, HC 33, 2006–07.
[177] *The roll-out of the Jobcentre Plus office network*, NAO, HC 346, 2007–08.

— One of the main problems for the Thames Gateway Programme has been a lack of clear roles and responsibilities in the delivery chain. Over 100 organisations are involved across central, regional and local government, as well as the private and voluntary sectors, with multiple funding streams and lines of reporting. This has made it difficult for government, investors and developers to see a clear direction for investment.[178]

Internal communication

3.8 The quality of communication within a programme can have a major impact on its success or failure. Effective communication, top-down, bottom-up and across functions, can ensure good morale and buy-in, and enable decisions to be made quickly and effectively.

3.9 Senior management have to establish clear and active lines of communication among different stakeholders, and create a culture that does not penalise staff for bringing problems to attention.

— Poor communication between the Home Office's Immigration and Nationality Directorate and the Prison Service led to over 600 convicted foreign criminals being released from prison between 2001 and 2005 without being considered for deportation.[179]

— Openness helps managers identify and address problems quickly. For its Trojan and Titan heavy armoured vehicles projects, the Ministry of Defence held a monthly meeting that gave an open forum for staff to air views.[180]

Structure

3.10 An effective structure for public bodies includes a suitably designed Board, an organisational structure that supports robust decision making, and clear arrangements for managing relationships with ministers.

Board

3.11 The Board is an important factor in the successful implementation of any programme. As well as determining key objectives and deliverables, the Board sets a programme's direction.

3.12 An effective Board includes the right people with the skills and experience to review and challenge financial and performance information.

— To address concerns that it was failing to provide adequate coordination in developing the Thames Gateway, the Department for Communities and Local Government introduced a cross-government Board to coordinate central government investment and provide stronger leadership.[181]

— Board members need the right mix of skills and expertise to oversee an organisation's operational performance, as well as its finances. Every Board should contain a qualified Finance Director to ensure appropriate financial governance.[182] A Board will usually also include non-executive directors who do not manage the organisation but bring an independent perspective on strategy and performance, and offer both challenge and support. They need more support from departments, particularly in terms of clearly defined roles and detailed information about operations.[183]

— Audit Committees help organisations follow accounting and auditing standards and adopt appropriate risk management arrangements. Strong internal audit functions provide support to Audit Committees.[184]

Organisational structure

3.13 Departments' organisational structures affect individual programmes. Sound structures ensure clear accountability and financial responsibilities, and nurture working relationships across different programme strands.

[178] *The Thames Gateway: Laying the Foundations*, 62nd Report, PAC, HC 693, 2006–07.
[179] *Home Office Resource Accounts 2004–05 and Follow-up on Returning Failed Asylum Applicants*, 60th Report, PAC, HC 1079, 2005–06.
[180] *Driving the Successful Delivery of Major Defence Projects: Effective Project Control is a Key Factor in Successful Projects*, NAO, HC 30, 2005–06.
[181] *The Thames Gateway: Laying the Foundations*, 62nd Report, PAC, HC 693, 2006–07.
[182] *Managing financial resources to deliver better public services*, NAO, HC 240, 2007–08.
[183] *Managing financial resources to deliver better public services*, 43rd Report, PAC, HC 519, 2007–08
[184] *Financial Reporting And Financial Management*, NAO, HC 417, 2007–08.

— The public sector becomes more complex as new projects and programmes increasingly involve multiple departments. This complexity influences decisions on the best structures for planning and delivering services.[185]

— Designations of Chief Information Officers and Senior Responsible Owners, together with initiatives like Centres of Excellence, are important in helping departments develop management arrangements and reporting structures, including at a local level.[186]

Relationship with Ministers

3.14 Ministers define policy, while public servants in departments and other bodies deliver it. Departments feed into the policy making process by providing data and analysis.

3.15 Departments' responsibilities focus on the Accounting Officer designation applied to Permanent Secretaries.

— Ministers need full assessments of the financial implications of policy proposals to help them take decisions. Only 41% of departments claimed that proposals always include full financial assessments, while only 20% considered that thorough financial assessments were the basis of policy decisions.[187]

— If an Accounting Officer considers that a policy decision conflicts with his or her stewardship responsibilities for public money, he or she can request a formal direction from the Minister.[188] Such directions are not common: there were just eleven from 2000 to 2007, ranging from four in 2000 to none in 2004 and 2007.

Resource management

3.16 Resources underpin a department's ability to support the design and implementation of programmes effectively. Most importantly, public bodies need strong management of finances, assets and IT.

Financial management

3.17 Central government annual spending is forecast to grow to nearly £700 billion in 2010–11.[189] Departments have to manage this money effectively in order to convert it into efficient and effective public services.[190]

Flexible resource allocation can secure a quick response to national or global developments, such as a banking crisis.

— Strong forecasting skills help public bodies allocate resources in response to changing circumstances, such as the NHS allocating resources to cope with an ageing population.

— Confident oversight of devolved budgets, such as those of the country's 25,000 schools, depends on effective monitoring.

3.18 Departments still have scope to improve their ability to forecast future resource needs, link financial with operational performance information, and improve the finance skills of operational staff.

— Since 2003, departments have not significantly improved their ability to forecast. While there is less overspending than before, there is still significant underspending. Across all Departments between 2002–03 and 2006–07, total underspending in excess of 5% of resource expenditure was £1.8 billion.[191] Some was due to poor forecasting, potentially withholding resources unnecessarily from areas of need.

— Most departments do not link financial and operational performance information in a way that allows them to assess value for money, either for investment decisions or when evaluating programmes.[192] This has caused difficulties for departments when reporting efficiency gains because they have to put financial values on operational performance. Only a quarter of departments' reported efficiency gains were reliable.[193]

— Operational staff do not have adequate financial skills to manage budgets and reporting requirements. Better skills would help in squeezing more value out of information in accruals accounting systems.[194]

[185] *Delivering High Quality Public Services for all*, 63rd Report, PAC, HC 1599, 2005–06.
[186] *Delivering successful IT-enabled business change*, 27th Report, PAC, HC 113, 2006–07.
[187] *Managing financial resources to deliver better public services*, NAO, HC 240, 2007–08.
[188] *Managing Public Money*, HMTreasury, 2007.
[189] Budget 2008, HMTreasury, 2008.
[190] *Managing financial resources to deliver better public services*, NAO, HC 240, 2007–08.
[191] *Managing financial resources to deliver better public services*, NAO, HC 240, 2007–08.
[192] *Ibid*
[193] *The Efficiency Programme: A Second Review of Progress*, NAO, HC 156-I, 2006–07.
[194] "Accruals accounting" is a commercial approach to accounting which has been adopted by central government. It replaced cash accounting, which simply recorded money spent in a year, with a system that also values assets

Asset management

3.19 The public sector owns and manages substantial assets, including property, equipment, and infrastructure. Office property alone was worth £30 billion in 2005–06 and cost £6 billion a year to run.[195] Asset management provides a significant opportunity for improving value for money.

3.20 A well managed asset lifecycle covers procurement or construction, day-to-day management and maintenance, and eventual sale or disposal.

— Good quality ongoing support and maintenance are necessary to get the best value for money from assets. The Ministry of Defence used the "Lean" methodology to create a production line for repairing and maintaining fast jets. It saved £1.4 billion between 2001–02 and 2006–07 and made 11 more aircraft available for front line operations by reducing turnaround time.[196]

— Departments are currently not meeting the sustainability standards for constructing and refurbishing buildings, with only 9% of projects meeting requirements.[197] They are now encouraged to consider the financial efficiency and environmental sustainability of assets through whole life costing.

— Minimising whole life costs also means maximising resale value. Government IT equipment is set to grow from 1.7 to 2.6 million units between 2005–06 and 2010–11 but the public sector does not achieve the same resale value as the private sector. There is also little evidence of available discounts being taken up when switching from old equipment to new, requiring procurement and disposal functions to be coordinated.[198]

— The public sector is starting to use accruals-based accounting information to improve its management of assets and liabilities. It identified and sold underutilised assets valued at £18.5 billion in the three years from 2004–05 to 2006–07.[199]

IT management

3.21 IT can increase accessibility and reduce costs. Around 45% of online access to government websites occurs in the evenings or weekends, when government offices are normally closed.[200] The Land Registry was able to reduce the unit cost of processing applications to register land from £27 to £22 by computerisation.[201] IT also has a role in removing data duplication, streamlining processes, tackling fraud and contributing to efficiency savings.

3.22 Getting the most from IT involves knowing how it will achieve benefits, having senior management oversight of projects and programmes, and developing the knowledge and expertise to be an intelligent client.

— The Department for Work and Pension's Payment Modernisation Programme demonstrated clear links between its business case, its benefits realisation plan, and its systems for tracking benefits.[202] The Department secured stakeholder support and expects to save £1 billion by 2009–10 as a result of the new system.

— Effective oversight of IT-enabled projects and programmes demands senior management time. The Small Business Service ensured senior level engagement in its web portal programme by requiring Programme Board members to sign a Memorandum of Understanding stating their roles and responsibilities, and to take it in turns to chair meetings. The portal won awards and received 5.7 million visitors in the first 12 months.[203]

— Outsourced IT functions require sufficient in-house specialist knowledge and expertise so public bodies can be intelligent clients, managing suppliers effectively. After outsourcing most of its IT in the 1990s, The Pension Service appointed a new Chief Information Officer, who further strengthened the organisation's IT skills and capabilities. This capability played a crucial role in the success of its Pension Credit Programme.[204] In contrast, the Child Support Agency lost its internal expertise when outsourcing IT, leading to the problems described earlier in this paper.[205]

[195] *Improving the efficiency of central government's office property*, 22nd Report, PAC, HC 229, 2007–08.
[196] *Transforming logistics support for fast jets*, NAO, HC 825, 2006–07.
[197] *Building for the future: Sustainable construction and refurbishment on the government estate*, 3rd Report, PAC, HC 174, 2007–08.
[198] IT Units are desktop computers or laptops. *Improving the disposal of public sector Information, Communication and Technology Equipment*, NAO, HC 531, 2006–07.
[199] *Managing financial resources to deliver better public services*, NAO, HC 240, 2007–08.
[200] *Government on the Internet: Progress in Delivering Information and services Online*, NAO, HC 529, 2006–07.
[201] *Better Public Services through e-government*, NAO, HC 704-I, 2001–02.
[202] *Delivering successful IT-enabled business change*, NAO, HC 33-II, 2006–07.
[203] *Delivering successful IT-enabled business change*, NAO, HC 33-II, 2006–07.
[204] *Ibid*
[205] *Child Support Agency: Implementation of the Child Support Reforms*, 37th Report, PAC, HC 812, 2006–07.

Risk management

3.23 Effective risk management can help departments avoid failures in service delivery. Well managed risk-taking also presents opportunities to deliver better public services, make more reliable decisions, improve efficiency and support innovation.

Financial risk

3.24 Fraud and error is a key financial risk facing government. HM Revenue & Customs estimated under-collected VAT at 14.2% of the net total in 2006–07, equivalent to £12.8 billion.[206] The Department for Work and Pensions estimated that the social security system lost around £2.7 billion a year to fraud and error in 2007–08.[207]

3.25 Financial risk is minimised by designing robust and secure systems, and testing them for potential weaknesses.

— Weaknesses in system design potentially represent the greatest financial risk. In recent years the Department for Work and Pensions has made changes to its counter-fraud activity, including a more risk-based and intelligence-led approach, a faster case management system, and a more targeted advertising campaign.[208] As a result, the Department estimated that fraud fell by around £500 million between 2001–02 and 2006–07.[209]

— Without adequately testing or piloting a new system, it is difficult for public bodies to identify and prevent financial risks. Individual Learning Accounts,[210] introduced by the former Department for Education and Skills to subsidise training for people lacking skills and qualifications, were implemented before proper testing. Risk assessment and management were inadequate, resulting in nearly £70 million of fraud.

Operational risk

3.26 Well managed risks can help in finding new ways to deliver services, but public sector programmes frequently fail to identify risks or manage them properly. Organisations need clear direction from senior management on when it is appropriate to take well measured and mitigated risks. Only 20% of respondents to a survey felt their departments rewarded people for taking well managed risks.[211]

3.27 Public bodies need to manage risks carefully and be clear about who is responsible for them.

— Some organisations are aware of risks but fail to manage them effectively. The Child Support Agency took a large risk by developing a complex IT system in a short time period at the same time as undergoing a major reorganisation. It did not act on warnings from numerous sources that they were at the edge of what was achievable, and the IT system still had 500 defects three years after it was built.[212]

— There must be clarity about where risk lies in collaborative enterprises. Public services are increasingly delivered through complex mechanisms involving public, private and voluntary sector organisations. Departments and their chains of service providers, including private sector contractors, need a common understanding of key risks and responsibilities for managing them.[213]

Accountability and transparency

3.28 Clear accountability and transparent reporting are central to sound public management.

Personal accountability

3.29 Clear personal accountability is as important for individual projects or programmes as for entire organisations. If no single person is accountable, individuals can pass blame to others, with serious consequences for day-to-day management.

3.30 Personal accountability for departments has been defined for many years through Permanent Secretaries' duties as Accounting Officers. It is now becoming common for projects and programmes to have Senior Responsible Officers.

[206] *Measuring Indirect Tax Losses—2007*, HMRC, 2007.
[207] *Department for Work & Pensions Resource Account 2007–08*, NAO, HC 863, 2007–08.
[208] *Progress in Tackling Benefit Fraud*, NAO, HC 102, 2007–08.
[209] *While estimated fraud reduced by £1.2 billion, £700 million of this was the result of a change in how the Department defined fraud.*
[210] *Individual Learning Accounts*, 10th Report, PAC, HC 544, 2002–03.
[211] *Managing Risks to Improve Public Services*, 15th Report, PAC, HC 1078-I, 2004–05.
[212] *Child Support Agency—Implementation of the Child Support Reforms*, NAO, HC 1174, 2005–06.
[213] *Managing Risks to Improve Public Services*, NAO, HC 1078-I, 2003–04.

— Accounting Officers have their responsibilities clearly set out in Treasury guidance. This makes them responsible for regularity and propriety, the selection and appraisal of programmes, value for money, management of opportunity and risk, learning from experience, and the financial accounts.[214]

— Clear accountability is especially important for projects or programmes that are shared by organisations. The Paddington Health Campus scheme had three partner organisations. It cost the taxpayer £15 million and was finally abandoned. A key reason for failure was the absence of a single clearly accountable person.[215]

Reporting

3.31 Good reporting is critical for informing Parliament and the public about the activities and performance of public bodies, allowing them to hold those public bodies to account.

3.32 Reporting must be open, reliable and consistent. Independent auditing helps to make information more credible, both internally for management when making decisions and externally for Parliament and the public who need to trust it.

— Inadequate reporting by public bodies can hide problems. An estimated 80% of their building projects would fail to meet the required environmental standards.[216] The extent of failure had not been appreciated because of significant weaknesses in the Government's own monitoring procedures.

— Independent auditing is critical in providing Parliament and the public with trust in what government is doing and reporting. The National Audit Office routinely audits the reliability of government reports on progress against efficiency targets[217] and Public Service Agreement targets,[218] in addition to auditing the accounts of government bodies.

— Performance reporting needs to be consistent across organisations, particularly when the subject matter is complex. Departments sometimes report differently on the same basic data. Reported performance on greenhouse gas emissions was markedly affected by different approaches towards emissions trading schemes.[219]

— Accepted reporting standards can improve reliability, consistency and comparability. Government accounting will introduce International Financial Reporting Standards from the 2009–10 financial year.[220]

October 2008

APPENDIX

COMMENTARY ON INTERNATIONAL MODELS OF GOOD GOVERNMENT, PREPARED FOR THE NATIONAL AUDIT OFFICE BY PRICEWATERHOUSECOOPER, SEPTEMBER 2008

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1. Executive Summary

[214] *Managing Public Money*, HMTreasury, 2007.
[215] *The Paddington Health Campus scheme*, NAO, HC 1045, 2005–06.
[216] *Building for the future: Sustainable construction and refurbishment on the government estate*, NAO, HC 324, 2006–07.
[217] *The Efficiency Programme: A Second Review of Progress*, NAO, HC 156-I, 2006–07.
[218] *Fourth Validation Compendium Report: Volume 1*, NAO, HC 22-I, 2007–08.
[219] *UK greenhouse gas emissions: measurement and reporting*, NAO, March 2008.
[220] Budget 2008, HMTreasury, 2008.

1.1 *Introduction*

1.1.1 PricewaterhouseCoopers LLP (PwC) was commissioned by the National Audit Office (NAO) in July 2008 to develop a commentary on international models of good government. The commentary is to support the NAO's submission to the Public Administration Select Committee's enquiry into good government, launched on 19 May 2008.

1.1.2 The commentary focuses on three aspects of government: the definitions, structures and standards of good government (explored in Chapter 3), policy making and delivery (explored in Chapter 4) and performance monitoring and evaluation (explored in Chapter 5). Our analysis also comments that these aspects are interdependent.

1.1.3 Two focus countries, the United States and France, were considered in detail. These countries were selected both because they host different and distinctive political structures and traditions but also because, as economically developed democracies, they share a number of characteristics with the UK.

1.1.4 Views on good government, both within the focus countries and elsewhere, were established through a combination of desk based and in-country research. PwC researchers interviewed experts, in person, at the Kennedy School of Government based at Harvard University in the US and the Ecole Nationale d'Administration (ENA) in Paris, France. The Kennedy School of Government is a world renowned institution that brings together academics, politicians and policy makers in order to support the improvement of public policy and management. The ENA is also a highly respected academic institution that trains French civil servants and public administrators from around the world.

1.2 *Definitions, models and structures of good government*

1.2.1 Good government is government that delivers. In the United States, France and the UK, government success is measured by tangible differences on the ground. The pressures of globalisation and increasing consumer choice make delivery harder, and demand that government institutions are efficient, responsive and tailored to individuals. Old top-down and statist bureaucracies that cannot adapt to the citizen voice are not fit for purpose. As a result governments around the world have become more relaxed about the different models, sectors and organisations used to deliver services; what works is what counts.

1.2.2 There is no one-size-fits-all model of good government. Different policy areas in different countries are subject to different implementation models. There are four broad models of good government employed primarily in the economically developed world. Modernised government seeks to reform rather than out-source or privatise old bureaucracies, perhaps using managerialist methods or devolving decision making to a more local level. By contrast partnership government encourages private, third sector and religious organisations to deliver government services alongside or in place of state-run providers. Government by market seeks to use the market to achieve public policy outcomes. For example the European Union carbon trading scheme places an economic price on pollution and therefore encourages environmental conservation. Finally, privatisation is a model used when governments pass all delivery responsibility to the private sector.

1.2.3 We note that, within the relatively new trend of more state services being delivered by non-state organisations, the role of government bureaucracies is still central. In fact in some cases, particularly in times of crisis such as the recent financial turmoil, the public demand that the state play a bigger rather than smaller role.

1.3 *Policy making and delivery*

1.3.1 A country's institutional make-up and political traditions shape policy making and delivery processes. The checks and balances in the US system and the federalist structure often lead to "grid-locked" central government. As a result local innovation and policy competition between states is incentivised. Also a comprehensive research base is necessary to achieve consensus amongst constitutionally antagonistic branches of government. As such the US has developed strong analytical capacity both within government, through highly specialist civil servants, and outside of government through swathes of think tanks and academic institutions. Policy research and development outside of government is supported by a strong culture of private philanthropy.

1.3.2 French traditions of social solidarity and state action mean that reform efforts are mostly focused on modernising, rather than privatising, government. Equity concerns often outweigh those of financial efficiency. For example, experts consider the French healthcare system one of the best in the world, but also expensive. Furthermore, policy making is inextricably linked to the legislative processes since France hosts a highly regulated state. A more efficient legislature would lead to more efficient policy making and delivery. Finally, the French experience of controversial reforms being met with high levels of citizen direct action highlights that good government relies on effective public consultation. French academics agreed that the government "gets it right" in France when it responds to the citizen voice.

1.4 *Performance monitoring and evaluation*

1.4.1 Experts in the United States and France highlighted UK performance monitoring and evaluation systems as examples of best practice. Initiatives such as Public Service Agreements, target setting and three-year budget cycles were seen as effective means of tracking outcomes. Academics also thought that there was an important and relentless focus on policy delivery in the UK, underlined by the creation of the Prime Minister's Delivery Unit.

1.4.2 Reforms of performance monitoring and evaluation in the US and France share some characteristics. Both countries are now placing a greater emphasis on strategic budgeting and performance indicators for government programmes. The United States is promoting transparency and accountability through innovations such as the Office of Management and Budget scorecard for federal departments. The French government introduced the wide-ranging and ongoing Révision Générale des Politiques Publiques (RGPP) (General Review of Public Policies) in 2007 to support efficient budgeting and performance monitoring.

1.5 *Lessons learned for the UK*

1.5.1 The UK can learn from instances when the US and France get government right. The US system shows the importance of innovation and social entrepreneurship through examples such as the Learn and Earn high schools in North Carolina (see 4.1). US policy makers are also well supported by extensive analytical capability, at a scale unmatched in the UK. In France, the effective delivery of many government services points to a system that has a high degree of public support and a general acceptance of a comparatively high tax burden. This support underlines the importance of public consultation and the fostering of social solidarity. Furthermore, French health care is seen as one of the best systems in the world, partly due to a choice based system that does not sacrifice on equity. The careful balance struck in French healthcare which allows private providers into the market but still maintains universal coverage, might be a useful example as the National Health Service seeks further reform.

1.5.2 Good government is changing. The old ideological battles have been replaced by greater flexibility and a more fleet-footed approach to constructing policy solutions. Decision makers around are prioritising delivery over ownership and structures. As such good government today may lack soaring rhetoric and polarising debate, but it can at least equip policy makers with the tools to bring about meaningful change and persuade many of its citizens along the way.

2. Introduction

2.1.1 The National Audit Office (NAO) commissioned PricewaterhouseCoopers LLP (PwC) in July 2008 to develop a commentary on international models of good government. The purpose of the commentary was to support the NAO's submission to the Public Administration Select Committee's (PASC) enquiry into good government launched on 19 May 2008.[221] Two focus countries, the United States and France, were considered in detail. These countries were chosen because they host considerably different government structures and traditions and as economically developed democracies provide useful comparisons to the United Kingdom.

2.1.2 PwC conducted both in country and desk based research. The commentary draws on interviews with US and French experts and academics from the John F Kennedy School of Government and the Ecole Nationale d'Administration (ENA) respectively. The John F Kennedy School of Government at Harvard University is a world renowned institution that brings together academics, politicians and policy makers in order to support the improvement of public policy and management.[222] The ENA is also a highly respected institution that trains French civil servants and public administrators from around the world and supports government work with a strong academic base.[223]

2.1.3 The purpose of the research was to establish:

- What models, definitions and structures of good government are used in the United States and France (as well as drawing from some other models from the rest of the world).
- How different government structures in those countries influence the delivery of good government.
- The strengths and weaknesses of policy making and delivery and performance management and evaluation in the focus countries.
- Lessons that can be learned about good government for the UK.

2.1.4 This commentary takes the following structure:

- Chapter 3 discusses the different definitions, characteristics and models of good government. The government structures of the United States and France and the influence of those structures on good government are also considered.

[221] http://www.parliament.uk/parliamentary_committees/public_administration_select_committee/pasc070 8goodgovt.cfm
[222] http://www.hks.harvard.edu/about
[223] http://www.ena.fr/en/accueil.php

— Chapter 4 analyses policy making and delivery processes in the United States and France. The strengths and weaknesses of the different approaches used are evaluated and the views of academics are highlighted.

— Chapter 5 considers performance monitoring and evaluation in the two focus countries, and sets out a range of academics' views on strengths and areas for development.

— Chapter 6 highlights overall trends of good government and sets out some examples of lessons learned for the UK.

2.1.5 Since the commentary is aimed to support the NAO submission to the PASC enquiry into good government, this report has mapped the findings against some of the specific PASC enquiry questions. An overview of this mapping is set out in Table A below:

Table A

OVERVIEW OF THE STRUCTURE OF OUR FINDINGS IN RELATION TO SOME OF THE PASC QUESTIONS

Chapter/section	*Contents*	*PASC Questions*
3	Definitions, models and structures of good government.	— What does good government look like, and what are its necessary conditions? — Are relations between the centre of government, individual departments and frontline public sector workers organised so that each part of government can do its work effectively? Is there the right balance of powers, operational responsibilities and accountability structures?
4	Policy making and delivery.	— Would changing the way in which policy or legislation is made increase the likelihood of successful policy delivery? How well does knowledge from policy implementation feed into policy or law making?
5	Performance monitoring and evaluation.	— How adequate are existing mechanisms for judging government performance, such as departmental capability reviews and public service agreement targets? — When weak performance in government is identified, are the right things being done to correct it? If not, what should be done about poor performance? — Do the right incentives exist for public sector workers to deliver policies effectively? For instance, what could complement (or replace) targets for policy and service delivery?
6	Lessons learned for the UK.	— What can we learn about good government from instances where government gets it right?

2.1.6 In addition, Chapters 4 and 5 of this commentary contain four case studies each from the focus countries. These case studies are listed in Table B below:

Table B

CASE STUDIES

Chapter/section	*Section*	*Case study*
4.1	Policy making and delivery in the United States	— Case Study A: Welfare to Work in Wisconsin—Partnership Government — Case Study B: Learn and Earn in North Carolina
4.2	Policy making and delivery in France	— Case Study C: Anti-smoking legislation and campaigns – Modernised Government — Case Study D: French Healthcare—Partnership Government
5.1	Performance monitoring and evaluation in the United States	— Case Study E: Programme Assessment Rating Tool (PART) — Case Study F: Performance based budgeting in Michigan
5.2	Performance monitoring and evaluation in France	— Case Study G: LOLF performance analysis tool — Case Study H: RGPP "seven questions"

3. Definitions, Models and Structures of Good Government

3.1.1 This section considers:

— The context for good government.

— General characteristics of good government.

— Different models of good government.

3.2 *Definitions, models and structures of good government*

Context

3.2.1 Good government improves the day-to-day lives of its citizens. Strong institutional architecture, robust regulatory frameworks and coherent bureaucracies are no longer sufficient indicators of good government.[224] Good government is government that delivers.

3.2.2 There is less interest in the de jure criteria of government (eg a free media, independent legislature etc.) and more interest in the de facto outcomes of government.[225] Civil servants are questioned on hospital waiting times and school attendance, not department structures or legislative processes. Good government requires both effective policy development and policy implementation.

3.2.3 This commentary adopts the Public Administration Select Committee's definition of good government:

— How effective government is at making and implementing policies, and seeing them delivered successfully; and

— How well departments are able to oversee the continuing operations of government.

3.2.4 Globalisation provides the context for the debate about good government. The free movement of capital and the international marketplace have set new challenges for governments as they try to deliver effective outcomes:

— The growth in consumer choice has led many citizens to expect as much personalisation from the state as from their local supermarkets. But traditional rules based bureaucracies, which assert state monopolies, are not necessarily designed to be flexible and nimble. Furthermore, the increase in size of the private sector, in health and education for example, has led to many citizens opting out of state services all together. This has left governments, particularly centre-left ones, anxious about the willingness of taxpayers to fund public services they don't use;

— The economics of globalisation have encouraged governments to pursue rigorously efficiency savings and balanced budgets. But while efficiency is a relatively easy concept to define in a commercial setting, governments have struggled to define, measure and deliver efficiency for the public sector. Several governments have discovered that a more efficient service, in the strictly financial or commercial sense, may not bring about the outcomes that the public want;

— Governments' traditional levers are becoming progressively less effective. For example the recent global "credit crunch" has caused economic difficulties for the UK, particularly in the housing market. But British politicians have little control over global financial markets.[226] As a result governments can be seen as remote, out of touch and powerless.[227]

General characteristics of good government

3.2.5 In response to the challenges of globalisation and in the context of the need to deliver results, there are some general characteristics of good government. These characteristics are shared mainly, but not exclusively, by economically developed countries with stable, established democracies (the focus of this commentary):

— Good government is increasingly decentralised and "closer" to its citizens. The United States has an established tradition of devolved power through its federal structure; local democracy even stretches as far as the election of public servants including local school board members. Furthermore, despite some perceptions of a centralised state in France, the dense network of local, regional and national political institutions has been able in recent years to respond to the EU's

[224] Elaine Kamarck in *The End of Government as We Know It: Making Public Policy Work* (London, 2007) describes the post-bureaucratic age in government of the 20th and early 21st century

[225] Daniel Kaufmann and Aart Kraay in *Governance Indicators: Where are We, Where Should We Be Going*, (World Bank Institute Global Governance Group, 2007) make the distinction between *de facto* and *de jure* indicators of good governance

[226] 2007 saw the decline of the sub-prime mortgage market in the United States which led to a loss of confidence and liquidity in global financial markets

[227] The 1998 OECD Report, *Public Management Reform and Economic and Social Development* describes a "democratic deficit" that is undermining trust in governments. See http://www.olis.oecd.org/olis/1998doc.nsf/LinkTo/PUMA-SBO(98)9

"subsidiarity principle."[228] This principle demands that responsibilities are kept at a local level unless it can be demonstrated that a higher level of government can deliver services more efficiently. We note that French governments since President de Gaulle have strengthened the power of regional governments; in particular a 1982 law set up directly elected regional councils with the power to elect their executives. The law also devolved to these regional authorities (the 22 régions) many functions hitherto belonging to the central government, in particular economic and social development, regional planning, education and cultural matters. In the UK Gordon Brown in a 2003 speech highlighted the need for devolution and transparency as a non-market non-centralised form of government.[229] This idea has been further developed in the 2006 local government White Paper which called for further devolution of powers.[230] In essence there is a trend of governments seeking to capture and act upon citizen voice at a local level;

— Good government is accountable and transparent. In the United States, federal government departments are rated four times a year on a traffic lights system. These results are published on the internet and the focus for ratings is based on the President's priorities.[231] The Government Accountability Office (GAO) also publishes and submits to Congress lists of high risk federal programmes that are not delivering as intended.[232] In France, citizens have the right to demand statements about the reasons behind government decisions affecting them or their businesses. They can also call on Le Médiateur de la République (ombudsman) who has the power to propose reforms to ministers on behalf of citizens.[233] The power of this office was strengthened in 2000 as Le Médiateur gained the right to initiate reforms on his or her own initiative, and to have permanent representatives around the country. In addition recent public management reform efforts, such as the 2007 Révision Générale des Politiques Publiques (General Review of Public Policies), have sought to introduce more accountability in the delivery of public services. In the UK, the National Audit Office now undertakes a range of reviews of spending efficiency, and assessments of performance measurement data systems. This includes in sensitive areas—for example the annual reviews of defence spending, the "Ministry of Defence Major Project Review".[234] Also in the UK, the Prime Minister's Delivery Unit, combined with the Cabinet Office, has focused on identifying relative performance through information sharing, league tables and civil service capability reviews;[235] and

— Good government employs management methods and best practice from industry to drive performance and efficiency in the public sector. There is a broad consensus amongst academics and policy makers that command and control bureaucracies are not fit for purpose in the modern age. Modernisation is needed to ensure the state delivers value for money. As a result in the UK for example, some elements of performance related pay have been introduced into the civil service and this concept has been extended to Australia, Denmark and the United States. In Canada's Expenditure Management System, public managers have the flexibility to fund new initiatives by re-allocating their existing budgets and "portfolio budgeting" in Australia and the Nordic countries gives managers discretion about how to meet mandated savings targets. In France, progress has been made towards making government information more accessible through "e-government" initiatives with one-stop-shop websites and portals.[236] Furthermore a constitutional by-law in 2001, Loi Organique Relative aux Lois de Finances (LOLF) made provision for the modernisation of public management by setting performance indicators particularly in relation to the budget.[237]

[228] The subsidiarity principle was included in the 1992 Maastricht Treaty of the European Union in the context of the division of powers and responsibilities between European governmental bodies and their member countries. The principle has also been applied to the role and structure of government at all levels. See http://www.eurotreaties.com/maastrichtec.pdf
[229] http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2003/press_12_03.cfm
[230] http://www.communities.gov.uk/localgovernment/strategies/strongprosperous
[231] http://www.whitehouse.gov/results/agenda/scorecard.html
[232] http://www.gao.gov/docsearch/abstract.php?rptno=GAO-07-310
[233] http://www.mediateur-republique.fr/en-citoyen
[234] For example, see the 2007 report at http://www.nao.org.uk/publications/nao_reports/07-08/070898ies.htm
[235] Michael Barber, *Instruction to Deliver, Fighting to Transform Britain's Public Services* (London, 2007) *passim*
[236] IBM conducted a study into e-government in France in 2003. See http://t1d.www- 3.cacheibm.com/industries/government/doc/content/bin/g510-3552-00-esr-e-government.pdf
[237] http://www.minefi.gouv.fr/lolf/16_1.htm

Good government in practice

3.2.6 Most economically developed countries share the broad tenets of good government laid out above. But the methods used to implement government policy, and specifically the extent to which market principles and the private sector have been introduced to improve policy delivery, varies widely. Equally there are differences about which parts of government should be taken out of public ownership altogether. Table C below sets out four broad, generalised, and by no means exhaustive models that governments employ to implement policy.[238] These models are used across and within states:

Table C

SUMMARY OF DIFFERENT MODELS OF GOVERNMENT

Features	*Country Examples*	*Policy Examples*
Modernised Government		
— Implementation of policy is mainly carried out by employees of the state and control and accountability are retained within central or local government departments; — However in this model traditional bureaucratic government has undergone a process of reform. Performance measures may be used as a proxy for profit to drive up standards and managerialist methods are often employed.	In general Nordic countries follow this model in many areas of public policy, although the use of out-sourcing and the introduction of competitive forces are increasing, particularly in the Swedish education system. Nevertheless decentralisation and devolution of power is the central focus of reform rather than choice and the introduction of quasi markets. Denmark in particular has low levels both of privatisation and the use of market type mechanisms.[239] In the UK measures such as the introduction of Public Service Agreements and three year budget cycles demonstrate reform efforts aimed at making government more responsive and "customer" focused.[240] In the United States the "re-invented government agenda", initiated by former Vice President Al Gore attempted to put in motion similar reforms.[241] In France, this model has been used in relation to public financial management with initiatives such as the 2007 Révision Générale des Politiques Publiques aimed at driving efficiency and transparency in government.	Governments often employ this model when considering policy issues that relate to national security. Contracting out certain aspects of national defence or intelligence gathering would cede an undesirable level of control. Equally other countries might use this model in areas where they want to maintain full authority or have particular equity concerns. For example in Finland, the education system is heavily controlled and there are strict rules restricting private schools and tuition charging. However modernisation is achieved through elements of decentralisation and a focus on efficiency. In the UK, this model was used to improve literacy and numeracy in primary schools between 1997 and 2001. Targets were set, outcomes were measured and government retained full control and accountability.

[238] These models have been adapted from Elaine Kamarck's book, *The End of Government as We Know It: Making Public Policy Work*, (London 2007.) She highlights three models for implementing policy: "Re-invented Government", "Government by Network" and "Government by Market". This commentary has added privatisation as a fourth model that government might use to achieve certain policy goals.
[239] Donald F. Kettl, *The Global Public Management Revolution*, (Washington, 2000) p.34
[240] http://www.hm-treasury.gov.uk/spending_review/spend_sr04/psa/spend_sr04_psaindex.cfm
[241] http://govinfo.library.unt.edu/npr/whoweare/history2.html#1993

Features	*Country Examples*	*Policy Examples*
Partnership Government		
— Government policies are implemented by a number of providers from the private, public and third sector; — Government, as commissioner of services, is responsible for overseeing and monitoring performance and ensuring contracts are aligned to policy priorities but is not responsible for policy implementation; and	New Zealand pursued an aggressive policy of government reform in the late eighties and early nineties as they sought to open up markets in public service provision and put out to tender many government functions, including policy making in some areas. The 1988 State Sector Act and the 1989 Public Finance Act ensured that output based contracts became the cornerstone of reform.	Governments often employ this model when they want to encourage innovation and flexibility. In the United States, the Wisconsin welfare-to-work programme which helped decrease the number of benefit claimants and increase employment in the state relied on different providers to deliver services (for more information see Case Study A in Chapter 4).
— Choice and competition are the orientating principles of public service delivery in this model.	Furthermore, in recent years some of the government functions that were previously totally privatised are now carried out using this model. There has been the introduction of "circuit breaker teams" which are designed to bring together the front-line and central government departments and place a renewed focus on partnerships.[243,244]	In the UK, the partnership model is also being proposed in relation to welfare reform as set out in a recent Green Paper.[242] In France, the health system is run using partnership government, with a mix of state and private hospitals available to almost all citizens (For more information see Case Study D in Chapter 4.)
Government by market		
— This model involves government using its power and influence to create a market that supports pubic policy aims; and — This model often involves few if any public employees.	The European Union's carbon trading scheme which seeks to limit carbon emissions by assigning an economic value to pollution is an example of the use of this model. Equally, the 1991 Bush administration's tradeable emissions plan for sulphur dioxide emissions mobilised the same principle.	This model is used most commonly when governments seek to change the behaviour of a large group of citizens. Road pricing and congestion charging in the UK, although in their infancy, seek to use the market to achieve policy outcomes. Also, the issuing of individual budgets in adult social care is becoming more common.[245] Equally the discharging of child care vouchers to individual families in certain American states is an example of creating a market for service provision.

[242] http://www.dwp.gov.uk/welfarereform
[243] Elaine Kamarck, The End of Government as We Know It: Making Public Policy Work, (London 2007), p1
[244] See link for information about "circuit breaker" teams in New Zealand: http://www.ssc.govt.nz/display/document.asp?docid=5261&pageno=3
[245] The 2007 Department of Health Green Paper (below) set out plans to allow individuals to take more control over their palliative care with the issuing of individual budgets. See http://www.dh.gov.uk/en/publicationsandstatistics/publications/publicationspolicyandguidance/dh_4106477

Features	*Country Examples*	*Policy Examples*
Privatisation		
— This model involves removing government altogether from certain areas of delivery.	The UK in the eighties and nineties underwent a huge privatisation agenda, matched only by New Zealand. The UK state owned sector was reduced significantly in this period.[246]	This approach is most often used when government believes they don't have the capacity to deliver certain services or they feel the private sector is best placed to be effective. Telecommunications is a particular industry that governments have sought to privatise.[247]

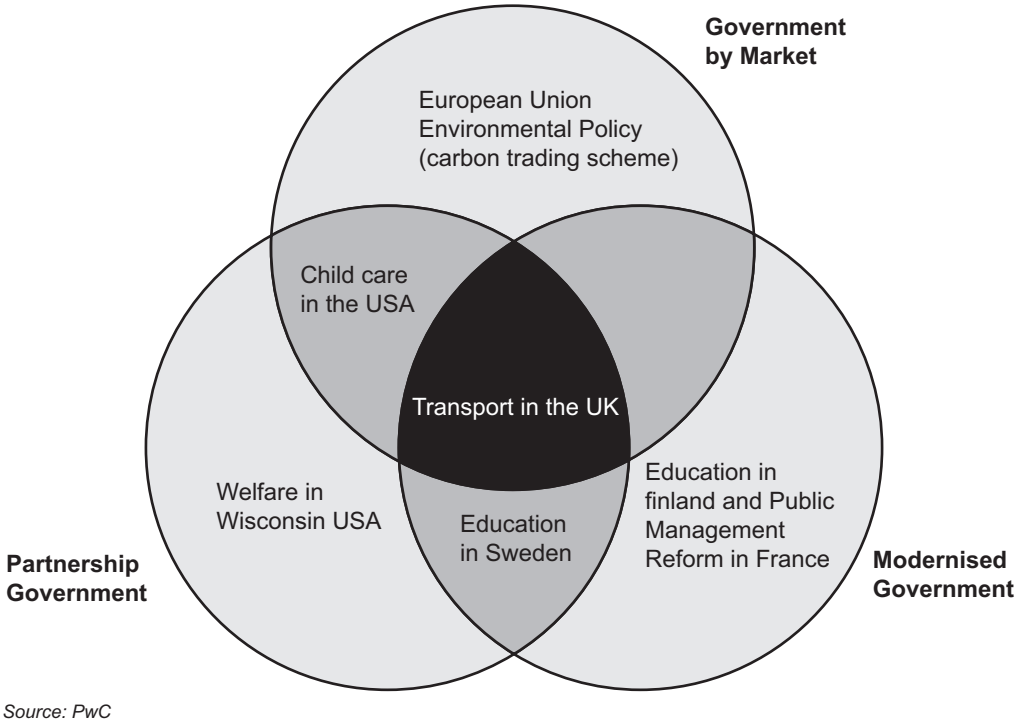
3.2.7 Despite the generic descriptions displayed in Table C above, governments often employ different models within discrete policy areas as well.

"21st Century government is a messy blend of old-fashioned bureaucracy, partly and fully privatised, and markets."[248] Elaine Kamarck, Kennedy School of Government

3.2.8 In practice the complexity of the challenge and the willingness of governments to prioritise delivery over structures and ownership have led to a mixed economy of government models used. For example, transport policy in the UK uses a number of models: Driving licences are provided by a modernised bureaucracy (the Driver and Vehicle Licensing Agency), contracts to run national train lines are put out to tender (partnership government) and the M6 road pricing scheme and the London congestion charge use the market to reduce traffic. Equally the Swedish "free school" model employs two good government models. Different education providers from the private and third sector are allowed into the market to offer choice and competition (partnership government) and schools are allowed to close if demand is insufficient. However education authorities still maintain control over certain aspects of the system, including most of the curriculum (modernised government) and modernisation is achieved through localised decision making. Finally, child care policy in the US also uses more than one model: there are a range of different providers who offer child care (partnership government), but some states offer vouchers to individuals to stimulate the market (government by market).

3.2.9 Figure A below illustrates the overlap that exists when employing good government models in relation to the policy areas discussed above and in Table C.

Figure A: The overlap between government models

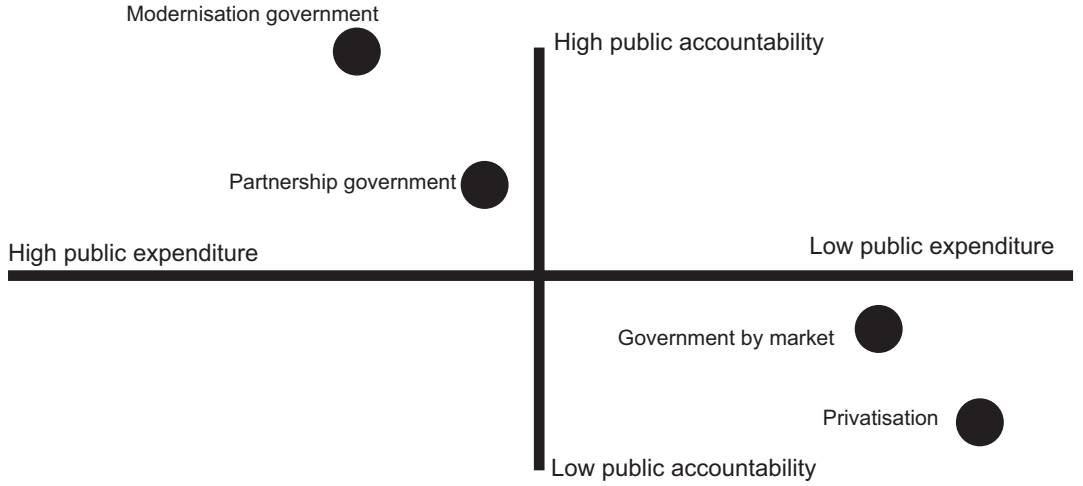


Source: PwC

[246] In 1979 nationalised industries represented 9% of UK GDP; in 2003 they represented 2% of GDP
[247] British Telecom was privatised by the Thatcher-led government in 1984 and New Zealand Telecom was sold in 1990
[248] Elaine Kamarck, *The End of Government as We Know It: Making Public Policy Work*, (London 2007), p.10

3.2.10 There is no "one size fits all" model of good government and in many cases there is a trade-off. Full democratic control, accountability and transparency are promoted by rules based, bureaucratic and state centric solutions. But efficiency savings are arguably better promoted by partnership and market solutions. For example modernised government institutions such as the National Health Service in the UK are constantly under pressure to cut costs.[249] But the system guarantees universal coverage, and there are strong accountability mechanisms, such as the Healthcare Commission, that generate public scrutiny. More market and contract based solutions, such as the outsourcing of many government functions in the United States, may cut costs and increase efficiency, but are open to the criticism that unelected and unaccountable private companies are profiting from state investment.[250] Figure B below demonstrates an approximation of the intended (note, not necessarily actual) effects of different government models plotted against expenditure and accountability.

Figure B: Theoretical representation of trade-off between democratic accountability and public expenditure and public accountability in good government models



Source: PwC

3.2.11 It is important to note that the models described in this section are comparatively new. In her book Elaine Kamarck describes most of the 20th century as the "bureaucratic century" dominated by topdown, monopolistic government structures.[251] It wasn't until the 80s that the UK government began to introduce the private sector into public provision and the trend more recently has been for governments to move in the direction of partnership and market approaches. This is linked to a practical view of good government that prioritises delivery over structures and ownership.

3.2.12 However, it would be wrong to assume that government has been totally out-sourced and hollowed out. In the recent "credit crunch" in both the United States and the UK, the public have demanded a bigger role for government in protecting savings and investments.[252] Equally, in 2001 Railtrack was taken back into public control after disquiet at the perceived failure of the privatisation of British Rail. So whilst there is a role for different models of good government, in times of duress and when the public feel they are not getting value for money, central bureaucracies, modernised or otherwise, continue to have a role to play.

3.3 *Government structures in France and the United States*

3.3.1 The section below considers the following:

— The different constitutional and institutional arrangements in the United States and France; and

— The impact of those different constitutional and institutional arrangements on the delivery of good government.

[249] The National Institute of Clinical Excellence (NICE) is charged with approving NHS payment for specific drugs and is often criticised for prioritising cost over effectiveness. See example from 2006: http://www.telegraph.co.uk/health/main.jhtml?xml=/health/2006/10/12/hnice112.xml

[250] 30 Lockheed Martin IMS, traditionally an aerospace business, decided to bid for welfare-to-work contracts in the United States in 1996. In addition, according to William Ryan in *the New Landscape for Nonprofits* (Harvard Business Review, January—February 1991), Maximus, another for-profit in the welfare to work network, describes social security as a potential $21 billion market

[251] Elaine Kamarck in The End of Government as We Know It: Making Public Policy Work (London, 2007), Chapter 1

[252] The UK bank Northern Rock was taken into public ownership in February 2008. The United States Federal Reserve agreed to underwrite mortgage guarantors Fannie Mae and Freddie Mac in July 2008.

3.3.2 The United States and France have different and distinctive government structures. The US system is highly decentralised with individual states having a great deal of autonomy over policy development and implementation. The French system is mixed and real efforts to decentralise power to a local level are combined with a highly regulatory central state. Experts in both countries highlighted advantages and disadvantages of each system in relation to the delivery of good government. More detail about the constitutional frameworks and institutional architectures of the two countries and the UK are available at Annex C.

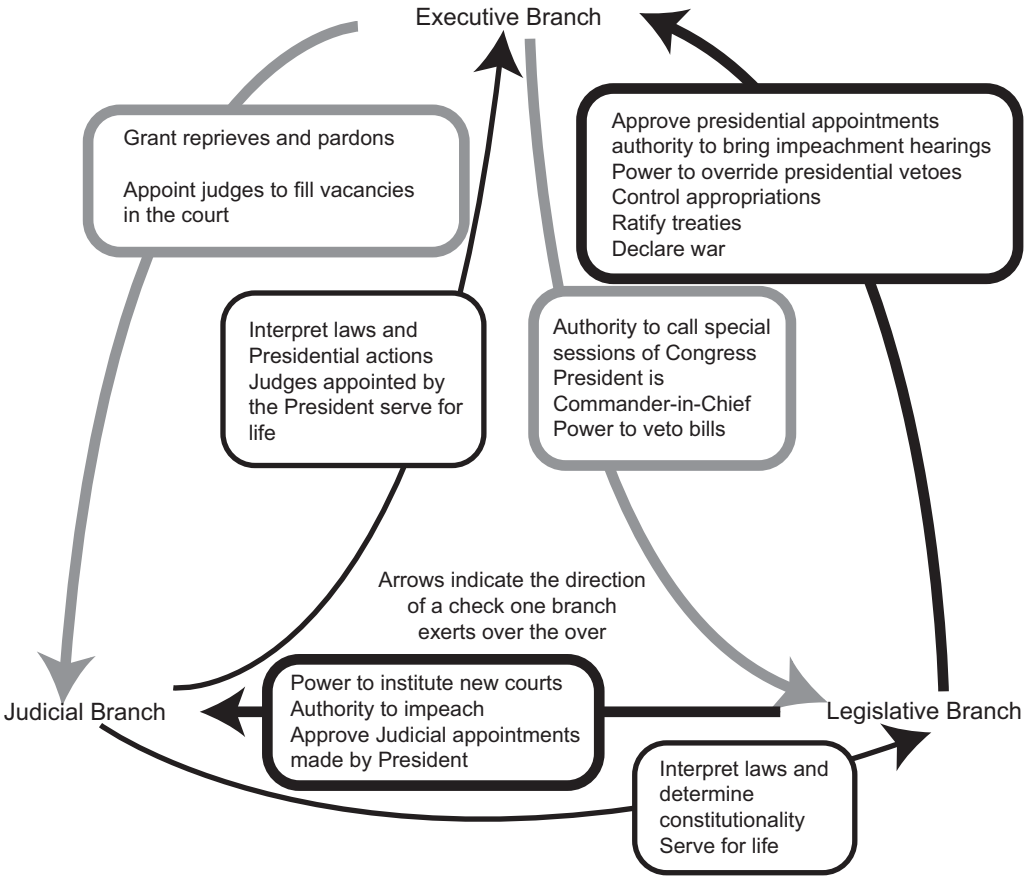
The United States—"Ambition must be made to counteract ambition"

3.3.3 In the United States there is a well-versed view, highlighted consistently during the interviews, that state institutions are so well balanced that effective government is greatly restricted. In fact, this was the stated intention of the founding fathers who wanted to prevent tyranny and limit the power of any one institution.[253] The checks and balances between the judiciary, the legislature and the executiveare such that they often create conditions for policy paralysis rather than delivery.

> "Where the environment has so many checks, the only way you could get anything to happen was to reach a consensus that would inevitably be 'in the middle' and stop the country going off in either of these two directions."
>
> Steve Kelman, Kennedy School of Government

3.3.4 Figure C below highlights how the checks and balances work in the United States federal government.[254]

Figure C: Representations of the checks and balances in the United States government[34]



3.3.5 So to a certain extent the constitutional framework is designed to make government more, not less, difficult. In this context, "grid locked" government is a common phrase often used to define the situation where the constitution has worked against decisive policy making and delivery. The result is that the rationale for government intervention has to be proved beyond all doubt, rather than taken for granted.

[253] "Ambition must be made to counteract ambition", Maddison, Federalists papers, no.51
[254] http://cahsa.info/sitebuildercontent/sitebuilderpictures/checkandbalance.jpg

3.3.6 Academic interviewees, however, agreed that the institutional framework is critical in understanding how policy decisions are made.[255]

> "Within the Executive branch the system of checks and balances works like this; instead of two people sitting down and coming to an agreement, they argue vociferously for their department and then a third party—the president—listens and decides. It is not a coincidence that phrases like joined up government are more common in the UK."
>
> Steve Kelman, Kennedy School of Government

3.3.7 There are three implications for good government in relation to the US system:

- Broad and deep policy research prior to legislation is essential since there has to be a consensus before decisions can be made. Even if the same parties reside in the executive and the legislative branches of government, Congress and the presidency are institutionally antagonistic, therefore the evidence base has to be so convincing that it can overcome party and branch competition;
- Policy competition between states is promoted by the federalist system of checks and balances. Since the ability of the federal government to act is restricted, local policy development and delivery is incentivised. As a result the states often become testing grounds for policies that may eventually be rolled out nationally. For example, the policing strategies trialled successfully in New York in the late nineties now act as a template for other states (and countries); and
- Institutional antagonism leads to a culture of vigilance rather than collaboration. Since the role of government institutions is to guard against the power of other institutions, they are prone to being risk averse. For example US academics considered that the primary role of the Government Accountability Office (GAO) was to censure government rather than support government in achieving its goals.

France—"La logique de l'honneur"

3.3.8 The French political system is complex, distinctive and mixed, tending neither to the majority-based systems found in Australia and the UK, nor the consensual systems that exist in the Nordic countries and the Netherlands. Instead France hosts a "semi-presidency", combining aspects of parliamentary and presidential democracies where the relative powers of parliament, the Prime Minister and the President are constantly under debate.

3.3.9 France has a highly rules-based, legalistic and regulatory government framework. As a result policy making is closely linked to the legislative processes. There is the Conseil d'Etat which renders first judicial review over almost all legislation proposed and the Conseil Constitutional which has the power to block draft law if it doesn't comply with the constitution. In addition, after laws are passed they should be followed by a Décret d'Application which is driven by ministers in the relevant department and allows for the necessary adjustments to the high volumes of regulations. For policy making to lead to effective delivery, there is a need to ensure that regulations are aligned to the policy objectives.

3.3.10 France has what academics described as a centralised/ decentralised system. Government power has been devolved to a more local level in recent years, notably with the creation of 22 regions in 1982 as an extra layer of local government. Local decision makers now participate in many policy processes. But the central state still retains a great deal of control and power, partly due to the highly regulatory nature of the legislative and policy making process. Also the strong French tradition of Le Grand Projet, with an emphasis on large-scale infrastructure projects (eg the Channel Tunnel), promotes an enhanced role for the central government.

3.3.11 French public services, in particular the health system, are considered to be some of the best in the world, despite the complexity of the government machinery.[256] This is linked partly to large government expenditure and administrative capacity but also to what academics described as La logique de l'honneur, or pride in public service. Others attribute the success of the health system, in particular, to a partnership model of government that has supported the introduction of private providers into the market and promotes choice and diversity.[257]

3.3.12 The focus for government reform in France in recent years has been modernisation and efficiency rather than privatisation and the hollowing out of government. For example, the French government retains almost 85% ownership of the energy company EDF which runs most of France's nuclear power stations. This can partly be explained by a strong tradition of social solidarity and an adherence to a European social model as opposed to an anglo-american markets based approach.

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[255] Roger Porter, *Presidential Decision Making: The Economic Policy Board* (New York, 1980) and Alexander George, *Presidential Decision Making in Foreign Policy* (New York, 1980)

[256] www.delouvrier.org/themes/delouvrier/files/Barometer_english.doc

[257] The UK think tank *Civitas* produced a report in 2001 highlighting the advantages of the choice and competition offered by the French health care system. See http://www.civitas.org.uk/pdf/cs17.pdf

3.3.13 Much of the impetus for recent reform has come from the European Union which set out broad themes for good governance in a 2001 White Paper.[258] The paper highlighted the need for governments to be more transparent, citizen focused and efficiently regulated. In addition, since the introduction of the Euro and joint European monetary policy, there has been a strong incentive for the French to minimise government debt, an issue that has been seen to damage public finances in France over many years.[259]

There are three implications for good government in relation to the French system described above:

— Policy making and delivery is strongly influenced by the regulatory nature of the French system. The effective implementation of public policy objectives relies on supportive regulation. As a result much of the debate about good government has centred on making the legislative processes function better;

— The French tradition of social solidarity means that efficiency in the strictly commercial sense is often superseded by concerns about equality and quality. The French healthcare system was considered the world's most effective in terms of outcomes and responsiveness by the World Health Organisation in 2000. But at a cost. France spent approximately 9.8% of its GDP on health in that year, compared to the UK which spent 5.8% then (and was ranked 14th). However recent reform efforts have focused on cutting costs whilst maintaining standards; and

— The French state's resistance to marketisation and privatisation means that much of the reform agenda has been focused around modernised government. Good government in France requires state bureaucracies to function better, rather than the dismantling of the state bureaucracies. Evidence of this comes from an independent report in 2004, which highlighted citizen satisfaction levels with public services of between 70 and 85%.[260]

3.4 *Conclusion*

3.4.1 Governments in the economically developed world (and elsewhere) are increasingly practical in their approach to good government. What works on the ground is prioritised over questions about who delivers services and what structures are in place. So while there are some broad characteristics and models of good government, in reality there is no one size fits all solution for all public policy areas. Furthermore, the different government structures and traditions in countries shape the models used and influence the decisions which policy makers and politicians come to. Specifically, in the United States the federal structures of checks and balances often promote "grid locked" government but as a result policy competition is incentivised at a local level. In France the need to fulfil socially solidaristic goals often means that public service provision is well funded but expensive. And the very different structures and traditions of governments in the United States and France highlight why they have been chosen as focus countries; they provide contrasting perspectives.

4. Policy Making and Delivery

4.1.1 The following section considers:

— The strengths, weaknesses and success factors for policy making and delivery in the United States and France.

— Specific examples of good practice in policy development and delivery.

— Policy making and delivery are discussed in this chapter and then policy evaluation and monitoring are considered in Chapter 5 below. These processes are closely linked, and a diagram demonstrating the connection between all policy processes is at Annex C.

4.2 *Policy making and delivery in the United States*

4.2.1 US academics pointed to two areas of strength in relation to policy making and delivery, both linked to the constitutional structures in the United States:

— Policy competition leading to innovation; and

— Analytical capability.

4.2.2 Some commentators have identified competition as an integral prerequisite for effective policy making. Tim Besley of the London School of Economics concluded that societies with policy competition not only have strong institutions, either private or public or third sector, to deliver policies but they are more likely to develop innovative policy solutions.[261] He also considered that single issue authorities that have directly elected officials, like regulatory commissioners in the US for example, foster innovation since they expand the scope of issues that are put to the public vote and attention.

[258] http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001_0428en01.pdf
[259] In 2005, former BNP Paribas Chief Executive produced a report for the French finance ministry which showed national debt as 66% of GDP and growing. National debt was seen to be linked to an expanding civil service and increasing pension liabilities.
[260] http://www.delouvrier.org/themes/delouvrier/files/Barometer_english.doc
[261] Tim Besley, *Political Institutions and Policy Competition* (London School of Economics, 2005)

4.2.3 There was also agreement that the federalist system in the United States encourages competition and that the potential for inertia in central government can be an incentive for local innovation.

> "It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory and try novel social and economic experiments without risk to the rest of the country."
>
> Justice Bradneis, Supreme Court

4.2.4 Multiple jurisdictions competing to produce effective policy outcomes can therefore drive up performance. For example, an informed public and media are likely to point out superior outcomes in other states and there will be pressure on policy makers to justify their positions in the face of apparent alternatives elsewhere. An example of state innovation leading to national (and international) recognition and replication is the Wisconsin welfare-to-work programme of the late nineties (detailed in the box below.) As explained at 3.2.6 in Table C above, these programmes were particularly effective since the model of government used (partnership government) is often suitable when innovative solutions are sought.

Case Study A: Welfare to Work in Wisconsin—Partnership Government

The Personal Responsibility and Work Opportunity Reform Act (PRWORA) passed in 1996 by Congress provided that a substantial amount of money was given to the states to pay for welfare-to-work programmes. This, in effect, was an admission by the federal government that a bureaucratic, rules based and centralised system was not able to tackle welfare dependency effectively. In the previous half-century welfare rolls had remained stubbornly high regardless of economic conditions. The Act paved the way for innovation at the state level and the private and not-for-profit sector, along with religious organisations, were invited to deliver welfare support.

"Wisconsin Works" and "Wisconsin First" programmes were instituted between 1997 and 2000 to encourage citizens back to work and were mostly targeted at single mothers who received tailored support. The governor Tommy Thompson started by dividing the state into 80 welfare-to-work areas which did not correspond with county administrations who traditionally delivered welfare support. As a result in 11 areas for-profit or not-for-profit organisations ran programmes. Native American organisations delivered programmes in three areas. Competitive tendering was also introduced in some parts of the state. The result was the delivery of services that were more personalised and responsive to local needs.

The scheme has now been replicated in many states and a networked and partnership approach is also suggested in the recent Green Paper published by the Department for Work and Pensions in the UK.[262] Furthermore an audit of the programmes in 2001, whilst circumspect on the quality of jobs that people received as a result of the support provided, acknowledged that the number of people dependent on welfare had dropped and numbers in overall employment had increased.[263]

It is the partnership approach that allowed different organisations to enter the market, rather than the benefits conditionality element of the programme that has been credited with the success. Elaine Kamarck considers that PRWORA supported innovation at a local level and that this was the crucial difference from what had been in place before. She considered that the Act had created:

> "a burst of creativity and innovation in helping women from welfare dependence to work."[264]

4.2.5 The partnership model used to encourage innovation, as seen in the Wisconsin example above, is now being increasingly employed in the economically developed world. The Swedish "free school" model has allowed a number of different providers into the market to deliver government funded school services. This idea has also been strongly supported by the Conservative opposition in the UK.[265] In New Zealand there are also high levels of the use of market type mechanisms and numbers of civil servants reduced from 88,000 to 37,000 between 1988 and 1994.[266]

4.2.6 The innovative culture, fostered by the competitive nature of the US system, is supported through institutions such as the Ash Institute for Democratic Governance and Innovation at the Kennedy School of Government.[267] This institute has developed the Innovations in American Government Awards Programme which provide local policy innovations with national and international recognition. The strong US tradition of private philanthropy helps to fund this institute and others around the country and provides another important support for innovation.

4.2.7 One of the finalists for the 2008 Ash Institute competition is the Learn and Earn programme in North Carolina (details below) which is an example of a state government using its power to influence the market to incentivise learners to extend their education.[268]

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[262] http://www.dwp.gov.uk/welfarereform
[263] http://www.legis.state.wi.us/lab/Reports/01-7full.pdf
[264] Elaine Kamarck, The End of Government as We Know It: Making Public Policy Work, (London 2007), p.49
[265] Michael Gove, the shadow spokesman for Children, Schools and Families, gave a speech to the ippr in August 2008 setting out his proposals for schools. See http://www.ippr.org.uk/podcasts
[266] Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis* (Oxford, 2004), p. 280
[267] http://www.ashinstitute.harvard.edu/corporate_site/about_us
[268] http://www.nclearnandearn.gov/learnEarnHighschools.htm

Case Study B: Learn and Earn in North Carolina—Government by Market and Modernised Government

North Carolina has attempted an ambitious programme of education reform in response to the financial burdens of a University education in the United States. The state believes that there is an economic imperative for all citizens to equip themselves with the right higher level skills to survive in the global economy.

The state Governor, Mike Easley, in addition to other education initiatives, has instituted Learn and Earn schools that allow students to study for university courses whilst still in high school (secondary school). The schools are situated on University campuses and give students the opportunity to achieve at least two years worth of university credit without paying for tuition. If students then decide to go to university and finish their degrees, they can have their fees subsidised by the state as long as they agree to get a part time job for eight to 10 hours a week—thus meeting the state's educational and social policy aims at the same time. The scheme has since been replicated in other states, including New York and has gained national recognition.

This programme is an example of both government by market and modernised government, since the State is using its ability to financially support individuals in a market based system of provision and because the scheme involves modernised state institutions (the Learn and Earn schools). The solution provided by North Carolina is also focused on those students who are often excluded from higher education due to affordability issues and therefore is an example of government trying to influence the market where there are equity concerns.

4.2.8 There was also agreement amongst interviewees that, as well as innovative policy making and policy solutions, the US government can call upon a very broad level of analytical and research capability to support evidence gathering from both within and outside government. This too is linked to the constitutional imperative for checks and balances. Since the system is prone to inaction, a great deal of evidence needs to be generated in order to achieve consensus and subsequent changes in the law.

> "The US has perhaps more developed analytic capabilities for policy making than any government in the world. There are more people who understand economic modelling, econometrics, data analysis, decisions theory etc."
>
> Steve Kelman, Kennedy School of Government

4.2.9 Kelman considered that one of the major differences between US and UK civil servants was their levels of specialist expertise. He thought that whilst US government employees were on the whole specialists in their fields, UK civil servants tended to be "clever people who studied classics." This however appears to be changing in the UK. For example, Fast Stream civil servants are now required to have more practical, front line experience before being promoted through the ranks, and there is a requirement that chief financial officers of government departments must have an accounting qualification.

4.2.10 Outside of government, the United States also has swathes of think-tanks, universities and institutions that support evidence based policy making. There are two institutions in particular which are worthy of consideration in this respect: the Kennedy School of Government and the Brookings Institute.

4.2.11 The Kennedy School of Government is considered a major resource in the training and development of future leaders and a place where the academic community is highly engaged in the practicalities of policy. The school is based at Harvard University and brings together academics, politicians and policy makers.

> "The Kennedy School provides a respected arena where ministers, senior officials and practitioners can come together to discuss issues of public administration."[269]
>
> Public Administration Select Committee Report

4.2.12 The Washington based Brookings Institute is a particularly well funded think tank that has links across the political divide. Its website is a highly respected resource and the Institute hosts effective discussion forums with speakers from a number of backgrounds, using new media effectively.[270] A recent online discussion titled "Is it possible to fix government?" included Mayor Bloomberg of New York, academics and public sector consultants and allowed participants to respond in real time over the internet.[271] It has 140 resident and non-resident scholars and in 2004 owned assets of $258 million. This represents a marked difference with the United Kingdom, whose think tanks are much smaller and less well funded.[272] Again the American tradition of private philanthropy can be seen to support the evidence gathering process.

4.2.13 However, although most academics interviewed agreed that the US has considerable analytical capability to support the making of policy, they asserted that there was less capacity in relation to delivery. That is, whereas the US was considered to have more data to inform legislative processes and decision making, the UK was considered to have more data to support implementation processes. The bias towards government balance in the United States means that all the effort goes into changing the law rather than seeing whether it is effective or not.

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[269] http://www.publications.parliament.uk/pa/cm200607/cmselect/cmpubadm/93/93i.pdf
[270] http://www.brookings.edu
[271] http://www.brookings.edu/interviews/2008/0617_government_mann.aspx
[272] The UK think tank the ippr, which is considered to be influential with the current Labour government, has 36 research staff

"What the UK calls evidence based policy making, I would call evidence based delivery making."

Steve Kelman, Kennedy School of Government

4.2.14 US academics also highlighted what they considered were critical success factors in ensuring policy is delivered effectively. Steve Kelman, in particular, focuses on the relationship between policy and practice; between government and front-line public sector workers.[273] He reported that the following points need to be considered for new policies to be implemented successfully:

- Quick wins—showing people that change is possible;
- Positive feedback given to front-line deliverers;
- Establishment of a reform coalition;[274] and
- Paying attention to delivery (something which Kelman considers is done more effectively in the UK).

4.2.15 Kelman is sceptical about the use of performance related pay in the public services to deliver change. If there are group incentives he believes pay bonuses can be effective but considers that a focus on individuals can limit the incentive for collaboration.

"It works if it's an absolute system and not a relative one. If you have a system where no matter how well teachers do only half get bonuses that can be very problematic. If you have a system where they are collectively rewarded for raising performance that can be less problematic.

In the public sector you are unlikely to give people the kinds of reward for achieving outcomes that you can in the private sector; and because the outcomes are out of their control, that suggests because you cannot give them the upside you should also not be so harsh about their downside."

Steve Kelman, Kennedy School of Government

4.2.16 Finally, Kelman emphasises the need for continuity and persistence in policy delivery rather than constant change. A focus on delivery is an area where he thinks the UK is well advanced, considering the creation of the Prime Minister's Delivery Unit, which monitors and supports performance improvement across government departments, as a key innovation. However, Kelman does acknowledge the need for politicians to present new ideas. (For more information on performance monitoring and evaluation see Chapter 5).

"There is an unfortunate gap between incentives in the political system for saying/doing something new and the need in the delivery system for having more continuity and persistence in promoting a smaller number of initiatives.

A whole number of mechanisms get set in motion that promote the acceptance of change that simply require the passage of time."

Steve Kelman, Kennedy School of Government

4.2.17 Although US academics considered that attention to policy delivery was more advanced in the UK, there was a general consensus that more focus was needed in this area in the US and that efforts should be centred on communication between government departments and public sector workers and leaders.

4.3 *Policy making and delivery in France*

4.3.1 French academics interviewed highlighted three linked aspects of policy making and delivery that were either undergoing reform or needed further reform and that were influenced by the distinctive nature of the French political system:

- Parliamentary scrutiny;
- Pre and post legislative consultation; and
- The alignment of the legislative and delivery processes.

4.3.2 France hosts a highly regulated system which means that policy making and delivery are primarily driven by the legislative processes (see section 3.2 above for more detail). The current constitution allows only the executive the power to initiate legislation whereas before 1958 parliament also had that right. The constitution of the Fifth Republic, passed in 1958 by President Charles de Gaulle, actually intended to create a strong executive in order to limit the instability that existed before when governments often fell. Academics argued that a by-product though has been the creation of a relatively supine parliament.

4.3.3 Academics considered that stronger parliamentary scrutiny would support good government. Currently the executive introduces draft legislation, sends it to the Conseil des Ministres (Conseil d'Etat and Conseil Constitutional) for legal review and then hands it over to parliament for what is described as a "validation" rather than a scrutiny process. Parliamentarians can direct proposals to the government to

[273] Steve Kelman, *Unleashing Change: A study of organisational renewal in government*, (Washington, 2005)

[274] This is an idea which is built on by Charles Clarke who describes the need to engage "advocates for change" in the public services (Charles Clarke MP, *Effective Governance and the Role of Public Service*, p.135)

amend legislation but cannot make amendments themselves. However, over the past 50 years, on average, one parliamentary proposal is adopted into law for every 40 draft laws introduced by the government. Legislative processes and therefore policy making reside primarily with the executive.

4.3.4 Since parliament has a relatively weak role at the national level, legislators are much more engaged in their local areas. For example, out of the 577 parliamentarians, often only 30 will participate in plenary sessions where debates can be superficial and limited. There is no equivalent of Westminster's Prime Minister's Question time where almost all MPs are present. Furthermore, although six permanent commissions review all draft legislation, they have few resources and the presidents of these commissions are automatically members of the parliamentary majority. There is no tradition of independent committee scrutiny similar to the select committee structure in Westminster or the congressional oversight process in the US. As a result, scrutiny, review and evaluation of draft laws in France are limited and therefore policy making is reliant on the effectiveness of the executive. Control over the executive is performed almost exclusively by the executive.

4.3.5 However despite reservations about the role of parliament in the policy making process, academics agreed that the new constitutional amendment proposed by President Sarkozy in July 2008 was designed to tackle these issues. The amendment proposed, amongst other things, the following:

- An increase from six permanent parliamentary committees to eight;
- The transfer of control over the daily parliamentary agenda to parliament;
- That power be given to parliament to amend draft legislation rather than just make proposals for changes; and
- The introduction of a new law which will increase the number of preliminary impact studies carried out before legislation is passed.

4.3.6 In addition to the reforms laid out above, interviewees highlighted that policy success in France depended on the extent to which public consultation was carried out, and the citizen voice was listened to. Relatively high levels of collective direct action, illustrated for example by the strikes against Prime Minister de Villepin's social security reforms in 2006, underline the need to engage the public when difficult decisions are made. (See box below)

Case study C: Anti-smoking Legislation and Wider Health Campaigns—Modernised Government

Prime Minister de Villepin's 2006 law banning smoking in public places combined with wider public health efforts were seen by interviewees to be examples of successful policy making and implementation. Academics highlighted the unusually high levels of public consultation that took place and the use of modernised local institutions to promote citizen engagement as the critical success factors.

In May 2004, the Minister of Health launched a public study through the General Inspectorate of Sanitation and Social Affairs (L'Inspection Générale des Affaires Sanitaires et Sociales) to explore the feasibility of a complete smoking ban in public places. In addition after draft legislation was drawn up, the ministries of public health and social affairs conducted high profile communications campaigns on the benefits of the law which encompassed a wide range of media.

The legislation was just one part of wider anti-smoking efforts and formed part of a four year public health programme. The government took a very proactive role in driving through these reforms and creating the necessary institutions for implementation. New regional public health interest groups were set-up and organised regular consultations on the programme's various themes, including the anti-smoking efforts. The policy making process in this case was therefore seen as transparent and consultative.

Academics considered that this area of government policy bridged the gap between a prime ministerial declaration of a new law and the necessary consultation needed for the law to be enacted in real life. One academic compared the anti-smoking legislation favourably to the 2006 proposed changes to the 35 hour working week which were not properly consulted on and therefore met fierce street protests. The strong tradition of social solidarity in France means that civic society is acutely conscious about being listened to and that for government policy to work consultation has to be effective.

> "If there is no social dialogue during the decision making process, then there is a big risk of blocking."
>
> Renaud Dorandeau, ENA

4.3.7 This case study demonstrates an example of modernised government, where the citizen voice was engaged and traditional state bureaucracies were decentralised to promote wider consultation.

4.3.8 Interviewees also reported a need to align better the legislative and policy making processes with the delivery processes. At present there can often be delays between when a law is passed and the necessary Décret d'application which enforces the regulatory changes needed to enact the law in practice. The passing of Décrets d'application are dependent on individual ministers and ministries having the authority and commitment to push them through and as a result many laws are weakly implemented and not accompanied by a Décret. Laws which are contentious are unlikely to receive full ministerial backing and therefore regulations can often be left unchanged.

> "The more sensitive a law, the less likely it is to be implemented."
>
> Renaud Dorandeu, ENA

4.3.9 The lack of regulatory provision and consultation attached to a law was evident in relation to Prime Minister de Villepin's law for affordable housing (Loi Dalot). The law was passed quickly by parliament in three months but with neither public consultation, nor an analysis of how much it would cost, nor an understanding of the necessary regulatory changes. As a result the law stayed at the level of principle and no action was taken to implement it once it was adopted.

> "At the moment, successful policy delivery depends on the relevant ministry's ability and commitment to pass the Décret and implement the new law. There is a big gap between the Prime Minister's declaration and broader public consultations that are needed to co-ordinate the policy delivery."
>
> Eric Meisse, ENA

4.3.10 In order to combat this discrepancy between law making and enactment, the Sarkozy government introduced the Circulaire of 29 February 2008 on the application of the law. The Circulaire sets out the following principles of reform:

- An indicative timeframe of a maximum of six months was set for a ministry to begin the delivery of a new law;
- Each ministry has to set up an administrative body with responsibility for coordinating the application of new laws in their policy area;
- An inter-ministerial meeting must be convened following the adoption of new legislation so that implementation and regulatory processes can be assigned to relevant ministries;
- A review meeting must be scheduled three months after legislation is passed to assess progress and identify any risks or challenges to the full implementation and
- Finally, in line with the 2001 European White Paper on good governance, the ministry must identify an agency able to deliver the new policy.[275]

4.3.11 However, despite all the concerns about the legislative processes raised by academics there was still a consensus that public services are delivered to a high standard in France. Some felt this is linked to a culture of respect and pride in public service, whilst others considered that high expenditure and large numbers of administrators are key factors. Commentators outside France however point to the model of government used as the most important driver for success with particular reference to the French health system (see box below).

Case study D: French Healthcare—Partnership Government

France has a mixed provision healthcare system in which public funding is combined with individual payments, where private and government hospitals compete and where the citizen has complete freedom of choice. Actually, despite perceptions of France as a highly centralised state that shuns the introduction of private sector providers, the health care system shows that good policy development and delivery in France can rely on different approaches. Even some US commentators, despite reservations about "socialised medicine", consider the French system a good model for reform of US healthcare.[276]

French citizens have a choice of doctor, whether a GP or a specialist, to whom they pay a fee and typically claim back 75–80% depending on the treatment. In addition there is provision for approximately six million poorer citizens who are not expected to pay upfront at all. Choice is paramount and regardless of whether a patient is subject to co-payment or not, they can self-refer to a specialist inside or outside a hospital. Furthermore French insurance schemes make no distinction between state and private hospitals and patients are free to go to the institution of their choosing.[277]

Compulsory insurance covers the whole working population which accounts for about 20% of payroll including employer and employee contributions. Individuals can identify on their pay slips how much of their salary is going into the Sécurité Sociale (the national social security fund which mostly goes on health care costs) in the same way UK citizens can identify national insurance contributions.

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[275] http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001_0428en01.pdf

[276] Paul Dutton, associate professor of history at Northern Arizona University, highlighted the French model in *Differential Diagnoses: A Comparative History of Health Care Problems and Solutions in the United States and France* (New York, 2007). He wrote an article for the Herald Tribune summarising his position here http://www.iht.com/articles/2007/08/13/opinion/eddutton.php. Also see the following article in Business week http://www.businessweek.com/magazine/content/07_28/b4042070.htm

[277] According to a Civitas report (http://www.civitas.org.uk/pdf/cs17.pdf), 65% of beds are provided by state hospitals, 20% by for-profit hospitals and 15% by not-for-profit hospitals.

[278] Mossialos, E., Citizens' views on health systems in the 15 member states of the European Union, Health Economics, Vol. 6, pp. 109–16, and Eurobarometer survey (1997).

System performance indicators are positive. There are virtually no waiting lists and there are high levels of citizen satisfaction. Data from the late nineties show over 65% satisfaction with services compared with 48% in the UK.[279] Equally France performs well by almost all population and health status measurements.[280] For example, in 2000, the World Health Organisation considered the French health care system the best in the world.

However, other observers have criticised the system as being overly expensive and efforts have been made to try and cut costs, in particular with the introduction of L'Hopital 2007.[281] Nevertheless, there was general agreement amongst academics that the French healthcare system provides a good service to its citizens, linked in part to the model of government used: "partnership government".

4.3.12 The case study highlighted above shows that the French healthcare system prioritises choice over the primacy of state provision. Private providers are welcomed into the market in order to support the overall quality of the service. This model has been used in relation to schools in Sweden where a number of different providers including voluntary, private and religious organisations are charged with delivering state services with state funding. In the UK there are elements of this model in the health service. In recent years private provision has been used to supplement state hospital provision. However the patient cannot choose private provision and expect the state to refund the treatment.

4.4 *Conclusion*

4.4.1 Academics in both the United States and France highlighted areas of strength and weakness in relation to policy making and delivery in their countries. In the United States there was agreement that broad analytical capacity and strong policy competition helped to support the policy process. Interviewees considered that both of these aspects were influenced by the constitutional nature of the US system and the embedded checks and balances. Equally, there was concern amongst academics that the US needed to focus more on delivery processes in order to ensure improvements on the ground. In France, there was agreement that public services were delivered well and that recent reform efforts to bolster the scrutiny role of parliament were heading in the right direction. However concerns were still raised about the efficiency of the regulatory and legislative processes that shape French policy making.

5. Performance Monitoring and Evaluation

5.1.1 This section considers:

— How governments in the United States and France monitor and evaluate performance; and

— Examples of best practice in monitoring and evaluation.

5.1.2 As described above in Chapter 4 performance monitoring and evaluation are vital parts of both policy making and delivery and should not be considered in isolation. The quotation below highlights the interconnectedness of all parts of the policy process.

> "Effective policy competition requires both that policy is effectively analysed and that research findings are disseminated in an effective way. This requires a number of institutions. Policy is analysed within governmental institutions such as government funded policy units as well as independent think tanks. The role of higher education institutions with a strong research tradition is also a vital part of the process of policy analysis and evaluation."[282]
>
> Tim Besley, London School of Economics

5.2 *Performance monitoring and evaluation in the United States*

5.2.1 In the United States there are a number of institutions responsible for judging and monitoring performance (for more details see Annex C). The main federal organisations are:

— The Government Accountability Office (GAO): The GAO plays a broadly similar role to the National Audit Office (NAO) in the UK and reports directly to Congress. The GAO looks to ensure that government programmes are delivering value;

— The Office of Management and Budget (OMB): This organisation is part of the executive branch and seeks to monitor the performance of central government departments using a number of rating tools;

— The Inspectors General: They conduct investigations to support probity and transparency amongst public servants and ensure federal programmes are delivering; and

[279] Mossialos, E., Citizens' views on health systems in the 15 member states of the European Union, Health Economics, Vol. 6, pp. 109–16, and Eurobarometer survey (1997).
[280] Jabubowski, E., Health Care Systems in the EU: A Comparative Study, E. P. Working Paper, SACO 101/rev. EN, EuropeanParliament (1998.)
[281] Details of various reforms detailed here http://www.lse.ac.uk/collections/LSEHealth/pdf/eurohealth/vol12no3.pdf
[282] Tim Besley, *Political Institutions and Policy Competition*, (London, 2005) http://econ.lse.ac.uk/staff/tbesley/papers/policycomp1.pdf

— Congressional hearings: A hearing is a meeting or session of a Senate, House, Joint or Special Committee of Congress, usually open to the public, to obtain information and opinions on proposed legislation, conduct an investigation, or evaluate the activities of a government department or the implementation of a Federal law.

5.2.2 The central critique of these accountability structures voiced by US academics interviewed is that, as a result of the system of checks and balances, the organisations listed above promote accountability of the processes rather than the outcomes of good government. The focus on balanced government encourages vigilance between organisations rather than collaboration.

5.2.3 Elaine Kamarck argues that this process focus is a by-product of a rules-based system that naturally develops in traditional bureaucracies. If rules are kept, the bureaucracy is working. Another US academic, Robert Behn points out that the problems are even more serious than just performance neglect. He describes how a system designed to prevent corruption ended up creating a system inundated by poor performance.[283]

5.2.4 Furthermore, Kelman considers that there is an audit rather than advisory culture around government performance in the United States. He argues that reports from the GAO and Inspectors General are highly critical documents in contrast to UK equivalents which are typically more balanced.

> "This reflects the American approach that the job of these institutions is to create a check. The job is not to advise but to audit.
>
> You can predict the difference between NAO and GAO outputs by looking at our different constitutions."
>
> Steve Kelman, Kennedy School of Government

5.2.5 Moreover academics considered that even the list of high-risk federal programmes that the GAO submits to Congress is not acted on properly. Institutionally antagonistic government is seen to have done its job once one branch censures another rather than when outcomes are delivered for citizens.[284]

5.2.6 But within the context of this general critique, there was agreement that the processes for assessing government performance were improving. The Government Performance and Results Act (GPRA) passed by Congress in 1993, for example, introduced performance measures and incentives to the public sector. Although interviewees conceded that the new performance orientated structures defined by the Act did not match the systems in either the United Kingdom or New Zealand, they still set a precedent which entailed a renewed focus on improving performance.

> "Even though many of the performance measures set by the federal government in the initial stages were so low that they could easily be achieved, they still exist as a baseline for improvement by government agencies and their managers".
>
> Elaine Kamarck, Kennedy School of Government

5.2.7 Furthermore, Kamarck cites the OMB's Programme Assessment Rating Tool (PART), which assigns scores to government programmes to rate their effectiveness as a good innovation (see box below). In addition there is the OMB's Executive Branch Management Scorecard which rates federal government departments on a traffic lights system.[285] Third party and independent scrutiny is also seen to be effective, an example being Governing magazine which grades each individual state on an A to F scale in relation to infrastructure, performance and targets achieved.[286] All these measures seek to promote transparency and accountability and all are publicly available.

Case Study E: Programme Assessment Rating Tool (PART)

The Programme Assessment Rating Tool (PART) was developed to assess and improve programme performance so that the Federal government could better monitor outcomes. A PART review aims to identify strengths and weaknesses to inform funding and management decisions. The PART therefore looks at all factors that affect and reflect performance including purpose and design, performance measurements, evaluations, strategic planning, programme management and results. The PART includes a consistent series of analytical questions and therefore allows programmes to show improvements over time and supports comparisons between similar programmes.

PART gives programmes starred ratings with three stars indicating an effective programme and no stars indicating an ineffective programme.

Extracts from an example of a recent assessment of the National School Lunch Programme is detailed below. This programme received two stars in its 2006 assessment:

> "The National School Lunch Programme is a federally-assisted meal programme operating in public and non-profit profit private schools. It provides nutritionally balanced, low-cost or free lunches and is intended to safeguard the health and well-being of the Nation's children and support domestic agricultural production.

[283] Robert Behn, *Rethinking democratic accountability*, (Washington, 2001), p.42
[284] http://www.gao.gov/docsearch/featured/highrisk.html
[285] http://www.whitehouse.gov/results/agenda/FY08Q2-SCORECARD.pdf
[286] http://www.governing.com/gpp/2008/index.htm

Performing

** Moderately Effective

— The programme has made progress in improving the nutritional content of the meals by reducing the proportion of calories from fat and saturated fat;

— The programme has implemented a series of new short-term measures focusing on meal quality and programme accountability that better track progress towards long-term goals; but

— The programme does not have a reliable measure of the level of erroneous payments it makes.

The National School Lunch Programme and the OMB are taking the following actions to improve the performance of the programme.

— Conducting a nationally representative study updating information on the nutrient content of meals; and

— Working to produce a reliable estimate of erroneous payments by 2007."

5.2.8 The US accountability and scrutiny measures highlighted above are similar to some of the initiatives launched in Whitehall in recent years. The Prime Minister's Delivery Unit (PMDU) established in June 2001, for example, seeks to improve the delivery of public services by collating and disseminating performance data about central government departments. The unit reports directly to the Prime Minister who sets the priorities for delivery.[287] This is something which is mirrored by the OMB's management scorecard. Both the PMDU and OMB are examples of central government organisations that seek to bring in management best practice to ensure that government delivers on the ground.

5.2.9 In addition to national monitoring of programmes, Kamarck and Kelman consider performance targets for government departments and public sector organisations as potentially useful. Kelman asserts that they should be used as the public service's counterpart to the profit measure in a company and a means of eliciting performance improvements rather than judging people.

> "It's not just about having performance targets, but using them as a learning tool. They provide a natural experiment in evidence based delivery.
>
> There is a false and unfortunate dichotomy between the public service ethos and performance targets. It seems that either you drive up performance by relying on the public service ethos or you rely on targets. In reality they are complementary concepts."
>
> Steve Kelman, Kennedy School of Government

5.2.10 Elaine Kamarck also sees performance measures as a means of supporting front-line deliverers as they seek to work around overly bureaucratic traditional government organisations.

> "The real impact of performance measures is to give public managers the incentives to change or to work around whatever rules impede achievement of the measure set."
>
> Elaine Kamarck, Kennedy School of Government

5.2.11 Academics highlighted the need to align budgets with performance targets and priority areas. An example of where performance review, target setting and monitoring were effectively utilised is detailed in the box below.[288] Here strategic budgeting that matched outcome targets with funding streams was seen as a way of monitoring and ultimately improving performance.

Case Study F: Performance Based Budgeting in Michigan

In 2003, the newly elected Governor of Michigan, Jennifer Granholm, decided she wanted to put a greater emphasis on performance monitoring and evaluation. She started by asking the citizens of the state what their priorities were through a series of "town hall" face-to-face meetings and as a result identified six cross departmental areas of concern. For each area cross agency work groups were asked to identify specific strategies through action plans and set performance indicators to measure progress.

Alongside this the Governor reviewed and assessed the current performance of all state programmes and considered which work group they fitted with. She then assigned a general fund budget cap and an overall budget cap to each work group, which were to govern all decision making. The groups found that they could not afford some programmes and were encouraged both to think creatively and look at current performance measures to focus on activities that could achieve results. Final decisions on expenditure were down to the Governor, with consultation from the work groups.

The process of review and monitoring was considered a success as it was able to align spending to local priorities.

> "Michigan's recent movement to integrate state-wide and agency strategic planning through the Cabinet Action Plan is indeed impressive. The goals and objectives outlined in the plan are inherently results focused and include targets for future performance."[289]

[287] Michael Barber, *Instruction to Deliver, Fighting to Transform Britain's Public Services* (London, 2007) *passim*
[288] http://www.michigan.gov/documents/A13-16_115963_7.pdf
[289] http://www.governing.com/gpp/2005/mi.htm

Governing Performance Project, Grading the States 2005

5.2.12 The Michigan case study highlighted above mirrors the efforts of other national governments around the world. In particular the Australian Government between 1983 and 1996 introduced a number of innovative measures to improve performance management which were highlighted by the World Bank as examples of good practice.[290] The government introduced formal evaluation and planning for the first time, required every government programme to be evaluated at least once every three to five years and aligned objectives more closely with budgeting decisions. The introduction of Public Service Agreements and three year budgeting in the UK also reflect efforts to align budgets to performance.[291] More recently these principles have become more localised with the introduction of Local Area Agreements.[292]

5.2.13 There are two trends that relate to performance monitoring and evaluation in the United States and are relevant to good government models:

— Publicly available performance ratings and target setting are seen as effective means of improving services. US academics, in line with the UK approach of targets and league tables employed in the late 90s and 2000s, considered that the performance of state institutions could be improved through information sharing and managerialist methods; and

— Innovative budgeting is supported at a state level. The federalist structure that promotes policy competition and local autonomy allows individual states to experiment with new budgeting methods which align citizen priorities with the services delivered.

5.2.14 The good government model used in both cases highlighted above is modernised government since efforts are directed at making the state institutions and systems function better rather than outsourcing state functions. More than this, performance monitoring and evaluation are functions that are difficult to marketise as they involve democratically elected officials holding to account the bureaucracies of state. While external auditors and consultancies are often used to conduct independent evaluations of policy programmes, final budgeting decisions and designation of priorities are carried out by politicians.

5.3 *Performance monitoring and evaluation in France*

5.3.1 There was general agreement amongst academics that the French systems for monitoring and evaluation were in need of reform. Parliament's role in oversight and scrutiny of policy was considered relatively weak and performance monitoring was seen to rest primarily with individual ministries and the executive as a whole (see section 4.2 above). The President sends a Lettre de Cadrage (mission letter) to ministries each year setting out targets and objectives, but there are few sanctions for poor performance. So while parliament can censure the government, it has done so only once in the last 50 years.

> "There is no separation between the one who designs and delivers policy and the one who evaluates it—each ministry evaluates its own work."
> François Lafarge, ENA

5.3.2 Even the Cour des Comptes (the supreme audit institution of France), which is a judicial institution and was recognised in the 2001 constitutional amendment as independent from the government, was criticised by some interviewees as focussing more on financial compliance rather than the overall policy issues. In this respect it differs from the UK model which seeks to inform policy implementation and where the control function lies with parliament.

5.3.3 However successive French governments have sought to improve performance monitoring and evaluation. Reforms have centred mainly on implementing wider reviews of government effectiveness, increasing efficiency and ensuring strategic objective setting is utilised in the budgetary processes. The two most recent reform programmes have been:

— 2001—Loi Organique Relative aux Lois de Finances (LOLF): This was a constitutional by-law that involved setting performance indicators and aligning budgets with objectives; and

— 2007—Révision Générale des Politiques Publiques (RGPP) (General Review of Public Policies): The RGPP is driven by a desire to deliver a balanced budget by 2012 and seeks efficiency savings and a full scale review of government programmes.

5.3.4 The LOLF paved the way for wide ranging reforms of public finances and introduced managerialist methods into the state's bureaucracies. Reforms were designed to align budgets to government objectives and user outcomes and to free up individual civil servants to take control of specific programmes. Local and central government managers were also asked to be more accountable; targets were set and performance indicators drawn up. In addition, the Cour des Comptes have been carrying out more performance audits, and the reforms currently being considered as part of Sarkozy's July 2008 constitutional amendment (see

[290] Evidence established in Keith Mackay, *How to build monitoring and evaluation systems to support better government*, (World Bank, 2007), chapter 8. See http://www.worldbank.org/ieg/ecd/docs/How_to_build_ME_gov.pdf. The report also highlights the OMB's PART assessment tool as an example of good practice

[291] http://www.hm-treasury.gov.uk/pbr_csr/psa/pbr_csr07_psaindex.cfm

[292] http://www.communities.gov.uk/localgovernment/performanceframeworkpartnerships/localareaagreements

para 4.2.5 above) may lead to further change. Some have suggested that one possible result would be the creation of a parliamentary committee, modelled on the UK Public Accounts Committee, to better deal with the Cour's performance audit reports and therefore strengthen parliamentary accountability.

> "The LOLF radically changed the budget process. Its main role was to justify public spending and each individual budget now needs targets and indicators."
>
> Frédéric Edel, ENA

5.3.5 The reforms proposed that three broad criteria be used to measure performance: social and economic effectiveness, the quality of services provided and efficiency. Each year, managers were asked to report to ministers on progress against those criteria. Furthermore, in 2005 "rotating" three month performance audits were introduced by former minister of the budget Jean-François Copé to establish even greater scrutiny. Also, some senior civil servants' performance ratings were linked to the objectives set through the LOLF.

5.3.6 However, the LOLF did not propose targets as specific as those that were imposed in the UK in the late 1990s and 2000s. Instead there was more focus on indicators of performance. An example of the performance management tool used and sample indicators is detailed in the box below:

Case Study G: LOLF Performance Analysis Tool

There are three lines of performance analysis:

Standpoint	*Goal*	*Sample Goal*	*Sample Indicator*
Citizen	Social and economic effectiveness	Health: cut breast cancer screening time	Average time elapsing before breast cancer detected
User	Quality of services provided	Police: cut police response time	Average time between police forces being alerted and their time of arrival at the scene
Taxpayer	Efficiency	Roads: reduce maintenance costs	Average maintenance cost per kilometre (A roads)

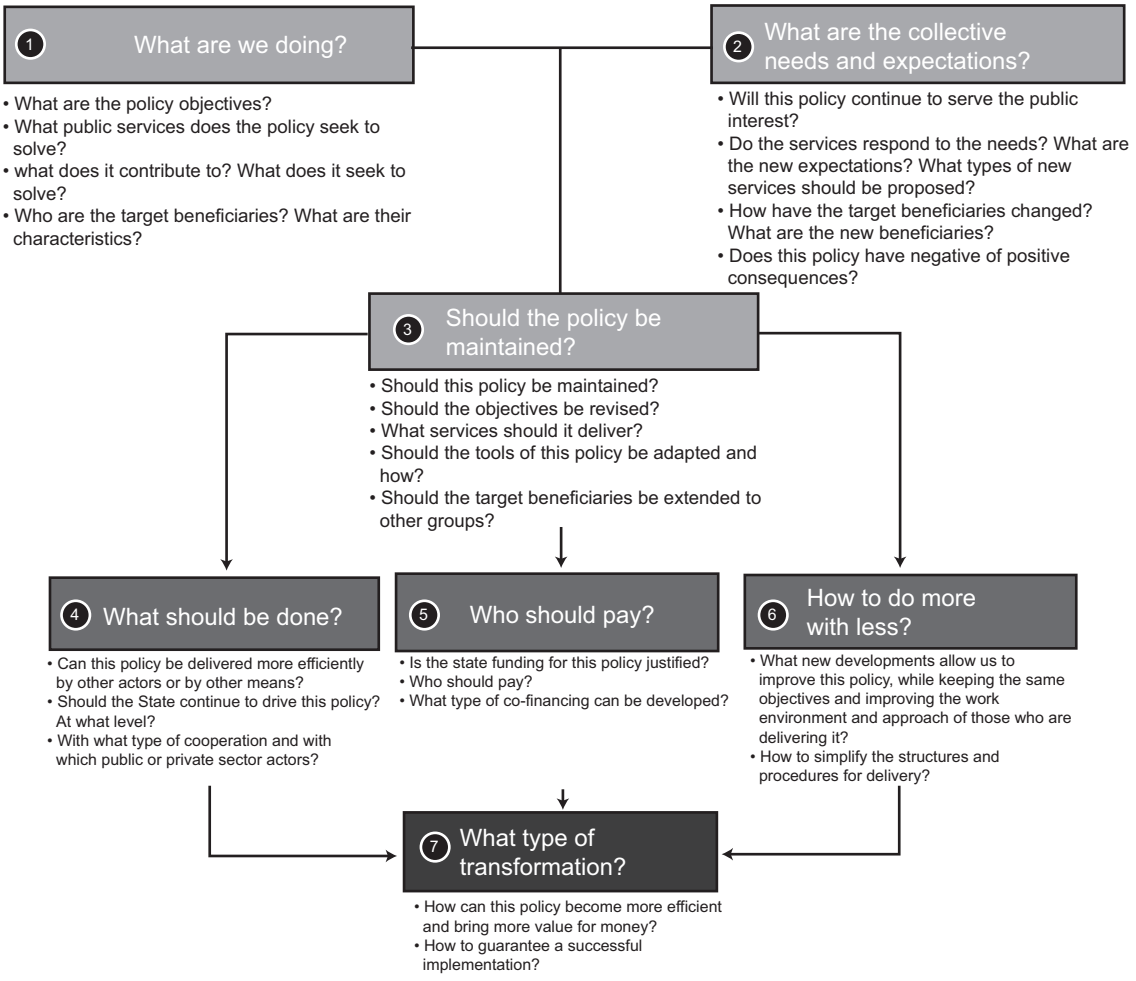
Source: http://www.minefi.gouv.fr/lolf/16_1.htm

5.3.7 The 2001 reforms were built on by President Sarkozy who in 2007 launched a government wide review: the Révision Générale des Politiques Publiques (RGPP) (General Review of Public Policies). This initiative was linked to a commitment by the French government to deliver a balanced budget by 2012 and much of the focus of the programme is concerned with delivering more efficient government through spending cuts and the streamlining of departments.

> "France is now going through a period of change that Great Britain went through during the Thatcher years. The main driver is the idea that public administration costs too much and the government needs to reduce costs. This is the crux of the RGPP—to understand the cost and then rationalise the public administration and make it more flexible and effective."
>
> Renaud Dorandeu, ENA

5.3.8 One of the key features of the reform programme in terms of evaluation tools was a list of seven evaluative and analytical questions. The questions aimed to facilitate a systematic analysis of government policies through a focus on outcomes and outputs and to challenge existing structures. The questions are detailed in the box below:

Case Study H: *RGPP* public policy analysis in seven questions



5.3.9 There are three distinctive trends related to the 2001 and 2007 reforms that are relevant to the good government models:

— The President has taken greater control over performance monitoring and evaluation. Specifically, RGPP reviews of performance are prepared by approximately 200 public and private auditors under the supervision of the Comité de Suivi. This committee is co-chaired by the Secretary General of the Elysée on behalf of the President and the Director of the Cabinet of the Prime Minister. All final decisions are taken by the Conseil de Modernisation des Politiques Publiques, chaired by the President. This centralisation has been counter-balanced by the 2008 proposed constitutional amendment (see section 4.2) which has given more control to parliament, however there are still questions about how well policies are scrutinised outside of the Elysée palace;

— Best practice from industry has been employed. The consulting-style influence is apparent in the presentation of ministries' modernisation plans and in the methodology designed for the reforms. La Direction Générale de la Modernisation de l'Etat, whose recently appointed director has long and senior experience with global management consultancy McKinseys, is specifically in charge of providing methodological support to audit teams and ministries; and

— The budget has become more transparent and strategic. Constitutional constraints may limit the government's ability to formally present a three-year budget to parliament; however, the government has repeatedly confirmed its intention to give ministers and programme managers maximum visibility on their future budgets in order to conduct reforms over the medium-term. This reform mirrors the budgeting changes that took place in the UK in the early 2000s and resulted in three year budget cycles and Public Service Agreements.[293]

[293] http://www.hm-treasury.gov.uk/spending_review/spend_sr04/psa/spend_sr04_psaindex.cfm

5.3.10 Although French reforms have retained the power of the central state, they have sought to modernise the central bureaucracies. The model used is therefore modernised government. Whilst there was some scepticism amongst academics about how successful the reforms would be in the long term, there was agreement that they were heading in the right direction.

5.4 *Conclusion*

5.4.1 Performance monitoring and evaluation in both the United States and France share similar trajectories. There is a common focus on strategic budgeting and funding following the preferences of citizens. The culture of target setting as seen in the UK in the late 90s and early 2000s is not embedded hugely in the two focus countries, although academics expressed support for methods that measure performance and set standards. However, interviewees considered that UK measures to support best practice in performance monitoring were effective, in particular US academics highlighted the success of the PMDU and French academics praised the streamlining of the UK budget under successive governments since the 80s.

5.4.2 Performance monitoring and evaluation seek to improve the performance of government structures and therefore are concerned mainly with the modernised government model. Accountability measures relating to budgets is an area where elected officials often retain as much control as possible otherwise they might be open to criticism about lack of oversight on public expenditure.

6. Lessons Learned for the UK

6.1.1 This section considers:

- The overall trends and characteristics of international models of good government; and
- How, within the parameters of the UK's constitutional framework and institutional architecture, best practice from abroad might be utilised.

6.2 *Overall trends in international models of good government*

6.2.1 Our findings point to the fact that, despite the different constitutional and institutional nature of the focus countries, there are some areas of convergence around what government should look like in the future. Crucially there is a view in the United States, France and the UK that good government should focus on individuals rather than institutions and bureaucracies, and that citizen voice should drive administrative structures and not the other way round. Whether it be the re-invented government initiative in the United States, the LOLF in France or the transformational government agenda in the UK, good government increasingly relies on citizen engagement.[294] The view that the "the Gentleman in Whitehall really does know better what is good for people than the people know themselves",[295] is being replaced by an altogether different perspective. This holds not only that the public rightly expect to be engaged in the policy process but that such engagement actually enables government to make and deliver policy more effectively.

6.2.2 However within the overarching trend of making government more citizen-focused, there are still different models and traditions of good government in different countries. It would be wrong to consider that since there is a globalised economy with free movement of capital (and in many cases people) that all governments should seek to marketise, privatise and out-source. France still maintains a highly regulated and statist model of government, where social solidarity pervades and the state has large stakes in industries which are fully privatised in the United States and the UK. There may even be a growing willingness by governments in other parts of the world to mobilise modernised government and partnership government models where previously they have sought to privatise. The fact that the UK government has taken Railtrack and, more recently, the Northern Rock bank into public ownership, or that the US government has underwritten mortgage guarantors Fannie Mae and Freddie Mac or that New Zealand has introduced the state back into areas they had previously outsourced points to a new trajectory. So in times of crisis or where there is a perceived lack of public accountability, governments are often required to be bigger, not smaller. So in practice there is no one model of good government, only trends and traditions.

6.2.3 It is important to note that both American and French academics highlighted the success of UK good government initiatives. In particular, UK systems for performance monitoring and evaluation developed through three year budgeting and the Public Service Agreements were seen as effective, as was the introduction of the Prime Minister's Delivery Unit. Interviewees also viewed positively the UK National Audit Office (NAO). They considered that the NAO was supportive and had an advisory capacity which contrasted with the unhelpfully adversarial nature of the GAO or overly legalistic and regulatory nature of the Cour des Comptes.

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[294] http://www.cio.gov.uk/documents/annual_report2007/tg_annual_report07.pdf

[295] Douglas Jay, *The Socialist Case* (London, 1947), p.258—although Jay wrote this specifically for the cases of nutrition, health and education, with his general conclusion on the "gentleman in Whitehall" being exactly the opposite.

6.3 *Best practice from the United States and France*

6.3.1 In terms of best practice that can support good government in the UK, there were some useful examples:

- An increase in analytical and evidence gathering capacity supports effective policy making. Academics considered that the US had an advantage in this area in part because civil servants tended to be more specialist rather than generalist and also because of the large number of non-governmental organisations involved with policy development.[296] The wider policy community (academia, research centres, think tanks, etc.) is much larger in the US than the UK. The history of think tanks in the UK has seen particular periods where individual institutions had a critical influence (Adam Smith Institute in the 1970s; ippr in the 1990s) rather than ongoing and sustained power. Frequent calls for a "British Brookings" reflect both respect for that particular institution's policy range and authority, and also the general sense that the UK's intellectual corpus is comparatively thin. In recent years however, the UK government and others have worked to increase capacity with the introduction of the National School of Government and the Institute of Government. It will be interesting to see if these organisations support the development of a wider evidence base for new policy initiatives which can engender consensus and therefore a greater chance of full policy implementation.
- Policy competition encourages innovation. A key finding from the US system is that the competitive nature of the institutional set-up means that there is often robust competition to find new solutions. Competition can often lead to innovative solutions to entrenched problems. Policy competition exists in the UK but, reflecting its political structure, to a lesser extent. However at the local authority level, individual authorities observe, examine and co-opt best practice from other authorities. Furthermore, devolution is likely to mean that policy innovation will increasingly be seen at a national level. As rival policy solutions are debated and their outcomes evaluated policy contestability is more likely to occur.[297] In addition, the UK government might consider encouraging policy competitions around certain areas of public policy where there is a need for creative thinking and a new approach.
- A mixed provision in public services does not necessarily impact on issues of equity. The French healthcare system shows that a system that includes private providers and co-payment does not necessarily undercut social solidarity. With pressures in the UK to keep the costs down in areas such as adult social care due to changing demographics, there may be some pointers in the French system about how to share costs with individuals whilst at the same time catering for the whole population.
- The reform process works best when there is effective public engagement. The move towards greater personalisation in public services requires greater public engagement in public services at every step of the process—from research and policy design through to delivery and evaluation. The French experience demonstrates the necessity for public consultation and the need for the engagement of all stakeholders if the reform process is to work. Deep and effective consultation is particularly important in areas where a change in the behaviour or working conditions of a large group of people is required. This contrasts with at least the perception in the UK that consultation is often, at best, an irritating legal obligation for officials to endure or, at worse, meaningless because policy outcomes have already been determined. The challenge for policy makers, however, is to recognise that meaningful consultation is an important part of the wider move towards embedding citizen voice in policy making. Moreover, such an informed approach to policy making is arguably more likely to secure effective policy delivery as the French example demonstrates.
- Rigorous performance measures sharpen policy focus and improve outcomes. The widespread view that the UK is "ahead of the game" in this area should not militate against learning from oversees practice. In the US, the role of both government scrutiny (eg Performance Assessment Rating Tool) and external scrutiny, (eg Governing magazine'sperformance grading[298]) may provide lessons. Similarly, the performance of the Révision Générale des Politiques Publiques (RGPP) (General Review of Public Policies) may prove instructive as the Operational Efficiency review commences.[299]

6.3.2 Good government is changing. Although no single model has swept in to replace former orthodoxies, there are clear signs that a new set of principles is gaining wider acceptance. The old clash of political economies (collectivist state versus the free market) has been replaced by greater flexibility: a more fleet-footed approach to constructing policy solutions; a willingness to mould a more creative mix of providers (public, private and voluntary) to suit different conditions on the ground. New principles relate instead to what best enables effective policy making and delivery; they include: research and analysis to provide evidence-based rigour behind policy making; effective public engagement and consultation; hard-hitting performance measures; transparency throughout and evaluation thereafter. Further, there is

[296] This is a finding echoed by Ed Straw in the 2004 *Demos* pamphlet http://www.demos.co.uk/publications/deadgen
[297] The Welsh assembly, for example, has scrapped national curriculum tests for 11 and 14 year olds but they remain in England.
[298] http://www.governing.com/gpp/2008/index.htm
[299] http://www.hmtreasury.gov.uk/documents/public_spending_reporting/vfm/vfm_operational_efficiency.cfm

increasing recognition that policy making and delivery are inextricably linked and cannot be seen as separate processes if implementation is to be successful. If good government today lacks soaring rhetoric and ideological debate, it may at least equip policy makers with the tools to bring about meaningful change and persuade many of its citizens along the way.

Annex A

METHODOLOGY

The methodology for this project contained five key stages:

1. Scope the assignment with the National Audit Office (NAO).
2. Design the research framework.
3. Implement the research.
4. Analyse and identify best practice.
5. Report.

1. Scope the Assignment with the NAO

PwC met with the NAO to discuss and refine the scope of the study and our proposed methodology. The following were agreed:

- A schedule of dates for regular project review meetings with the study team;
- How we will work together over the duration of the project, including responsibilities and outputs;
- The list of questions to be answered and the associated data requirements;
- The countries that we could focus on for the desk research, in addition to the two case study countries; and
- The contents of the final report.

2. Design the Research Framework

We devised a research framework based on the Public Administration Select Committee (PASC) questions from their Issues and Questions Paper (see Chapter 2 for full list). From these we identified four sets of questions:

- The first set explores the definitions, measures, institutional architectures and internal government standards of good government. The answers to these questions formed the first part of our output and produced a description of the different models of good government and how they differ from and resemble the Westminster model;
- The second set of questions focuses on how policy is made and delivered, and the factors that influence this process, such as the role of civil servants and contextual or policy changes. We explored how the constitutional frameworks hinder or encourage these processes. These questions contributed to the second part of the output, looking at how the practices of the models of good government are influenced by their constitutional frameworks;
- The third set of questions considers the performance monitoring and evaluation processes of the different models of good government. Again, we explored how the nature of the democracies that use them affects the design and application of these monitoring frameworks. These questions also contributed to the second part of the output, looking at how the practices of the models of good government are influenced by their constitutional frameworks; and
- Finally, the last part of the research framework identified good practices. The findings contributed to the third section of output, looking at how these examples of good practice can be applied in the Westminster model.

Step 1. Definition, structures and standards of good government PASC questions 1–2	*Purpose: understand the definition of and performance indicators for good government; understand how constitutions influence institutional architecture.*
Definition — What is the definition of good government used by the World Bank? — How do experts in the two case study countries describe good government? — What are the good government standards used in these countries? *Structures* — What types of constitutional frameworks do the focus countries have? — What are the power, operational and accountability structures? — Are the power structures, operational structures and accountability structures balanced? — Does this structure allow each part to do its work?	*Sources of information and analysis* — Literature review — In-country interviews — World Bank literature
Step 2. Policy making and delivery PASC questions 5–6	*Purpose: Understand policy making and delivery processes and how constitutional frameworks influence the processes.*
— How is policy or legislation made? Is it informed by current policy implementation? Could changes to the policy/legislation making process increase the likelihood of successful implementation? — Is effective policy implementation hampered by too much change? — How do changes such as new initiatives or wider structural reorganisations affect public sector workers' ability to deliver policy? — How are public sector workers incentivised to deliver policy effectively?	*Sources of information* — Desk based review — Analysis of policy areas to track policy life cycle — In-country interviews
Step 3. Performance monitoring and evaluation PASC questions 4, 7–8	*Purpose: To understand how governments monitor and evaluate their performance; to understand if and how governments improve poor performance and to consider how constitutional frameworks influence the monitoring and improvement process.*
— What mechanisms exist for judging performance? How are targets developed? How are reviews undertaken? — What is done in the face of poor performance?	*Sources of information* — Desk based review — In country studies, focus on two to three policy areas and discuss performance matrix and monitoring and evaluation processes.
Step 4. Best practices for UK PASC question 9	*Purpose: To identify best practices of good government and consider how they can be applied to the Westminster model.*

3. Implement the Research

This comprised two over-lapping work streams:

— Desk review; and

— In-country research.

The work streams overlap because the in-country research provided additional sources of literature which enabled us to focus the desk research more sharply.

Desk review

Our desk review was guided by the agreed research questions. We focused on a small number of policy areas in the US and France (welfare, health and education) to provide more specific evidence of how policy is made, delivered and measured. We also considered public management methods used in the focus countries and elsewhere. This approach was framed by the questions from steps 3 and 4 of the research framework (above). We assessed the underlying causes of the improvements in specific examples and used this to directly address the issue of what can we learn about good government from cases where government has got it right.

In-country research

We conducted a series of one-to-one interviews with leading academics at the Kennedy School of Government and the Ecole National d'Administration (ENA). The list of the experts interviewed is detailed below:

Interviewees from the John F. Kennedy School of Government

- Linda Bilmes, Lecturer in Public Policy
- Akash Deep, Senior Lecturer in Public Policy
- Elaine Kamarck, Lecturer in Public Policy
- Steve Kelman, Weatherhead Professor of Public Management
- Jeffrey Liebman, Malcolm Wiener Professor of Public Policy
- Pippa Norris, Paul. F. McGuire Lecturer in Comparative Politics

Interviewees from L'Ecole Nationale d'Administration (ENA)

- Renaud Dorandeu, Director of Studies
- Lucile Drome-North, Assistant Director of Professional Studies,
- Frédéric Edel, Assistant Editor of the Revue Française d'Administration Publique and researcher for the Centre of Expertise and Administrative Research (CERA), at the Department of Professional Studies and Research
- François Lafarge, Assistant Editor of the Revue Française d'Administration Publique and Researcher of the Centre of Expertise and Administrative Research (CERA), at the Department of Professional Studies and Research
- Eric Meisse, Consultant, Centre of Expertise and Administrative Research (CERA), at the Department of Professional Studies and Research

Based on the findings from the desk review and the research framework we developed interview tools to frame our discussions with experts and other stakeholders in the focus countries. These interviews provided a further collection of literature on specific topics.

4. Analyse and Identify Best Practice

A range of data was collected from the two principal evidence bases: the desk research and interviews. We collated and analysed the material with respect to the agreed list of questions. This was a dynamic process in two respects. The research led to further research and interviewees suggested further reading and specific ideas. Also, the team met regularly to compare findings with systems and practice in the UK in order to draw comparisons and pinpoint international best practice.

5. Report

We reported the findings of our research and our analysis as follows:

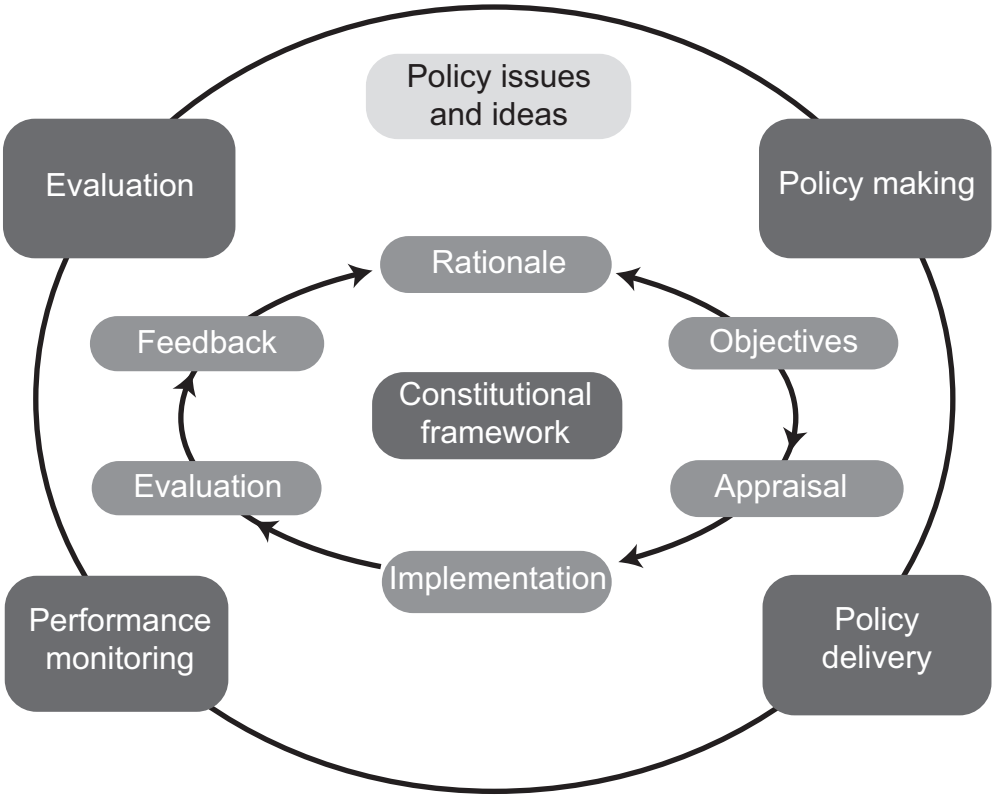
Draft report. On 19 August we submitted to the NAO study team a draft report of our findings which highlighted key points and allowed for open debate and discussion. We then took feedback on the findings and deliverables and produced the final report for the agreed deadline.

Final report. Our report was presented to the NAO on 5 September and included:

- An executive summary setting out overall conclusions in plain English; and
- A summary table, giving an overview of the findings as they relate to some of the questions being considered by the select committee, clearly referencing the material in the study to these questions.

Annex B

POLICY LIFECYCLE[300]



[300] PriceWaterhouseCoopers, www.pwc.co.uk

Annex C

CONSTITUTIONAL AND INSTITUTIONAL STRUCTURES OF THE UNITED STATES, FRANCE AND THE UNITED KINGDOM

	The United States	*France*	*The United Kingdom*
Constitutional Framework	The constitution of the United States (ratified in 1788) defines a federal system of government in which certain powers are delegated to the national government and others are reserved to the states. The national government consists of executive, legislative, and judicial branches that are designed to ensure, through the separation of powers and checks and balances, that no one branch of government is able to subordinate the other two branches.	The new constitution of the Fifth Republic was established in 1958 by President Charles de Gaulle and aimed to achieve the political stability that was previously absent. The constitution adopted a "semi-presidential" form of government, combining elements of both the parliamentary and presidential system. Constitutional amendments are usually approved by referenda, particularly in relation to the acceptance or otherwise of EU treaties. In 2008 President Nicolas Sarkozy won approval from the parliament to re-write the constitution. His aims were to increase the accountability of government and to drive through his reform agenda.	The UK has no single constitutional document comparable to the American or French constitutions. However the majority of the British constitution does exist in the form of written parliamentary statutes, court judgements and European treaties. There are also a comparably high number of unwritten constitutional conventions eg parliament will not debate the Monarchy without the Monarch's consent. The guiding principle of the UK constitution is that of the sovereignty of parliament and the statutes passed by parliament are therefore the supreme and final source of law. Some argue though that European treaties have complicated this.
Central Government Structure	The executive branch is led by the President who is elected through the electoral college. The president is supported by a cabinet and sub-cabinet organisations such as the Office of Management and Budget (OMB), the Council of Economic Advisers and the National Security Council. As commander-in-chief the President mainly has control over foreign affairs. Congress consists of two chambers, the House of Representatives (the lower house whose membership is adjusted for population changes) and the Senate (the upper house consisting of 100 members, two from each state.) Congress's main role is to write the United States Budget.	The French parliament is a bicameral legislature composed of elected members of the National Assembly (the lower house with 577 members) and the Senate (the upper house with 341 members). The president is elected separately and operates as head of state. The constitution gives the president the power to appoint the prime minister, who oversees the execution of legislation. The president also appoints the Council of Ministers, or cabinet. The French system often leads to divided government. From 1986, except for two years between 1993 and 1995, France experienced a form of divided government know as "cohabitation", in which the president and the prime minister belonged to different parties.	The position of Prime Minister, the UK's head of government, belongs to the Member of Parliament who can obtain the confidence of a majority in the House of Commons, usually the current leader of the largest political party. Although the Prime Minister and Cabinet are formally appointed by the Monarch to form Her/His Majesty's Government, in reality the Prime Minister determines the membership of the Cabinet. Parliament is the ultimate legislative authority and membership is based on a single-member constituency system. Members of Parliament (MPs) are elected through the first-past-the-post method and there are currently 646 MPs. The House of Lords is the upper chamber which is mostly filled with

	The United States	*France*	*The United Kingdom*
			appointees of the political parties. Although the Lords does have the power of scrutiny, the primacy of the Commons is ensured through the Parliament Acts of 1911 and 1949 which demand that the Lords pass. government bills after the third reading
Local Government Structure	The governments of the 50 states have structures closely mirroring those of the federal government. Each state has a governor, a legislature, and a judiciary and each state also has its own constitution. Only Nebraska is unicameral. The constitution allows for considerable powers to be exercised at a state level but there are also areas of overlap such as taxes and law enforcement and creation.	The French system hosts a dense network of local and regional institutions. The units of local government are the régions, the départments and the communes. The major force for decentralisation has been the devolution of power to the 22 régions. The communes, the smallest unit of local government, also include mayors who have become more powerful recently.	Northern Ireland, Scotland and Wales each has a devolved, unicameral legislature and its own government or Executive, led by a First Minister. Different powers are devolved to the different countries, with the Scottish parliament having more control over fiscal policy than the other two chambers. In addition London has a directly elected mayor and some local authority regions also have mayors. Local government in the UK is complex and is dependent on local context and tradition. Local authority regions host directly elected councillors but some areas have more tiers of government than others (eg there are unitary, county, district, parish and town councils in different parts of the country).

	The United States	*France*	*The United Kingdom*
Scrutiny and oversight	As a protection against tyranny, checks and balances in the constitution were designed to ensure that no one branch of government could dominate another. Scrutiny is therefore carried out between the branches of government (eg the President can veto Congress's budget but Congress can withhold spending for the military if the President wants to go to war.) In addition congressional hearings are the main tool that the legislature uses to hold government to account. A hearing is a meeting or session of a Senate, House, Joint, or Special Committee of Congress, usually open to the public, to obtain information and opinions on proposed legislation, conduct an investigation, or evaluate/oversee the activities of a government department or the implementation of a Federal law. In addition, hearings may also be purely exploratory in nature, providing testimony and data about topics of current interest. There is also the Government Accountability Office (GAO) which reports to congress, the Office of Management and Budget (OMB) which supports accountability in the executive branch and Inspectors General who conduct investigations to ensure probity in government.	Parliamentary control over the government can be exercised, but it is less intense than in the UK system. There are questions to ministers challenging various aspects of performance, but these take place infrequently and committee inquiries are also relatively rare. The National Assembly, however, does have the right to censure the government, but, in order to avoid the excesses that occurred before 1958 (as a result of which governments regularly fell) only once in the first 50 years of the Fifth Republic, in 1962, did the National Assembly pass a motion of censure. The government is also strengthened by its constitutional power to ask for a vote of confidence on its general policy or on a bill. In the latter case a bill is considered adopted unless a motion of censure has obtained an absolute majority.	Although in theory any member of parliament can introduce legislation, in practice government bills dominate proceedings. Equally, despite the fact that there are a number of scrutiny processes in each house (eg there are three readings of each government bill, the first two followed by parliamentary consultation and proposed amendments), Government bills rarely fall. There are also parliamentary select committees which can conduct enquires into various aspects of public policy and often ask government ministers to submit oral evidence.[301] In addition, Tony Blair set the precedent for Prime Ministers to submit oral evidence to the Liaison Committee. In terms of scrutiny institutions, the Cabinet Office and more recently the Prime Minister's Delivery Unit are responsible for ensuring outcomes across government. The Treasury, through Public Service Agreements, also plays a role in ensuring government departments are delivering as intended.

[301] http://www.parliament.uk/parliamentary_committees/parliamentary_committees16.cfm

	The United States	*France*	*The United Kingdom*
Standards in public life	The Federal Election Commission which ensures probity in the funding of political parties is complemented by ethics committees for each branch of government which advise on ethical issues for public servants.[303] These committees are also replicated at state level in most cases. The US Department of Justice—Public Integrity Section is responsible for prosecuting misconduct amongst federal employees and the appropriate US Attorney's Office is responsible at a state level.	France has a permanent anti-corruption investigation commission to explore ethical breaches by public servants and there is also an established legal framework for the standards of behaviour expected of public servants in the form of general acts on civil service. A code of conduct for civil servants is complemented by guidance for particular sectors such as Agriculture and Transport.	The Committee on Standards in Public Life, set up in 1994 by the Major government, is an independent standing committee that looks into general standards for MPs.[302] In the House of Commons there is also a code of conduct which is backed up by the Parliamentary Commissioner for Standards and the Committee on Standards and Privileges. MPs are required to register a wide range of financial interests they may have which are relevant to their parliamentary work. There is also the Civil Service Code which sets out the terms and conditions of employment of every civil servant.

Memorandum from the Parliamentary and Health Service Ombudsman

I am writing in response to PASC's inquiry into Good Government. I welcome the opportunity to contribute to the debate about how best to ensure the conditions that foster good government and provide the best service to the public. This inquiry is particularly timely given recent debates on a British Bill of Rights and constitutional renewal that have accompanied the publication of the Governance of Britain Green Paper.

I spoke recently at a Constitution Unit seminar about how the notion of good administration relates to wider constitutional concerns. (I have enclosed a copy of my speech in case you find it helpful.) It seems to me that good administration is a critical component of good government and public service delivery and plays an essential part in framing the citizen's knowledge and perception of government in action. Public service delivery is where citizens experience government first hand, often in areas of most acute concern to them. I strongly believe that it is in these arenas that the possibility rests of changing perceptions and indeed the actuality of those encounters.

I have therefore not answered all your questions but concentrated on this area where I believe the evidence base of my office can offer most value, that is the link between good administration and good government.

My role as Parliamentary and Health Service Ombudsman is to provide a service to the public by undertaking independent investigations into complaints that government departments, a range of other public bodies in the UK, and the NHS in England have not acted properly or fairly or have provided a poor

[302] http://www.public-standards.gov.uk

[303] The United States Office of Government Ethics (executive branch) http://www.usoge.gov/home.html, the US Senate Select Committee on Ethics http://ethics.senate.gov/, the Committee on Standardsof Official Conduct (house) http://ethics.house.gov/ and the Judicial Conference Committee on Codes of Conduct http://www.uscourts.gov/

service. We look to put right individual wrongs but also to contribute to the wider public benefit by drawing attention to the needs of the service user, driving improvements in public services and, where appropriate, informing public policy.

There are, as you state in your Issues and Questions Paper, lessons for Government to learn from policy or administrative failure. However, my experience of complaint handling has also given me a particular insight into good administration which I consider to be a fundamental part of good government. The way in which public services are administered plays a large part in determining the users' experience of the service. Good administration should not therefore be underrated or dismissed as unimportant. The public service arena is where, in practice, the citizen comes into most direct contact with Government and my office is well placed to draw upon the empirical evidence of some 40 years' of handling large numbers of complaints to highlight what good government means in practice for users in receipt of public services.

It was with the aim of improving the way public bodies administer public services and promoting good practice that I developed my "Principles of Good Administration"[304] last year. I see important connections between these Principles and your inquiry.

The "Principles of Good Administration" are broad statements of what we believe public bodies should be doing to deliver good administration and customer service for the users of public services. The six Principles are:

- getting it right;
- being customer focused;
- being open and transparent;
- acting fairly and proportionately;
- putting things right; and
- seeking continuous improvement.

These Principles are not a rigid set of guidelines, but a guiding framework setting out the sorts of behaviours that we expect of public bodies delivering public services. The Principles I have set out for good administration apply equally to good government: in summary, acting in accordance with the law and with due regard to the rights of those concerned; giving due consideration to Government's relationship with citizens by being helpful and flexible where possible; being accountable; acting fairly and proportionately; putting mistakes right quickly and effectively; and reviewing policies and procedures and learning lessons to improve services and performance. I commend these Principles to your inquiry and would suggest that by following the Principles and seeking to improve in the light of these Principles when things have gone wrong, Government will be more likely to "get it right" with public bodies improving the service they offer to their customers.

As well as setting out the sorts of behaviours we expect from public bodies delivering public services and how to put things right when things have gone wrong, the "Principles of Good Administration" also stress the importance of getting things right first time and the importance of careful planning when introducing new policies and procedures or schemes. Full consideration of all relevant issues regarding ex gratia compensation schemes before they are announced or advertised, was one of the key recommendations in the reports I issued in July 2005, "A Debt of Honour"[305] and in February 2007 "Put together in haste: 'Cod Wars' trawlermen's compensation scheme".[306] The latter set out the elements of an effective ex gratia compensation scheme and recommended that central guidance for public bodies should be developed that specifically relates to the development and operation of ex gratia compensation schemes. That recommendation was accepted by the Government and the recommended guidance has been incorporated into HM Treasury's guidance, "Managing Public Money".

I hope you find these comments useful. Should you wish to discuss these matters further I would be happy to do so.

July 2008

Memorandum from the Professional Contractors Group

Key Analysis and Recommendations

- Good government requires open consultation with stakeholders; detailed scrutiny of the effects of policy after it has been implemented; and incentives and help for policy makers to get policies right in the first instance.
- Post-impact assessment of policy changes must be mandatory and open to public scrutiny.

[304] http://www.ombudsman.org.uk/improving_services/good_administration/principles.html
[305] http://www.ombudsman.org.uk/improving_services/special_reports/pca/internees05/index.html
[306] http://www.ombudsman.org.uk/improving_services/special_reports/pca/trawlermen/index.html

— For policies to be successfully implemented, the promulgation of good, accurate guidance for those affected by the policy changes is required.

— Improving the redress available to victims of wrongly-implemented policies would increase incentives for policy makers to create and execute policies effectively and correctly.

Introduction

The Professional Contractors Group is the cross-sector representative body for freelancers in the UK.

All of PCG's members take on business risk and supply their services to a range or succession of clients. They therefore represent the flexible, skilled, knowledge-based workforce on which the UK's future prosperity depends. They provide IT, engineering, project management, marketing and other functions in sectors including financial services, telecoms, oil and gas and defence.

PCG represents freelancers who run their own limited companies, unincorporated sole traders and freelancers who operate via umbrella structures: it therefore represents the very smallest enterprises in the UK, and considers the needs of its members both as enterprises and as workers.

PCG welcomes the opportunity to respond to the PASC inquiry and our responses to the questions are provided below.

1. *What does good government look like, and what are its necessary conditions?*

Good government—effective policy formulation and implementation, and the successful delivery of those policies—requires open consultation with stakeholders during the development of policy; detailed scrutiny of the effects of policy after it has been implemented; and incentives and help for policy makers to get proposals right in the first instance.

Open consultation with stakeholders is imperative at all stages in the policy development process, for all but the most minor of policy amendments. Formal consultations should occur very early on in the process when proposals are being formulated, and continue as necessary at further stages thereafter. For complex pieces of legislation, there will need to be many rounds of consultation. If legislation is to be successful, it should not be rushed; imposing strict deadlines for introducing legislation can result in inadequate consultation with stakeholders. There also needs to be a suitable period of time after consultation and before implementation during which those affected by the legislation can take on board any guidance provided to them explaining the policy changes. That guidance must always be clear, accurate and widely published.

In order to maintain effective policies and the successful delivery of those policies, existing legislation needs to be regularly reviewed after it has been introduced. Post-implementation reviews of legislation should therefore be mandatory within a given timeframe—PCG recommends two years—and these reviews must be open to public scrutiny. The reviews must also involve consultation with those affected by the legislation under scrutiny to determine whether it has been a success or not.

Lastly, if policy is to be successfully delivered, policy makers and front-line staff must be adequately trained, and there must be incentives on them to implement and enforce legislation effectively. In order for policies to be workable, policy makers and those executing legislation must have an understanding of the sectors and bodies they are regulating. If they do not, further training must be provided. Government departments are also more likely to produce workable legislation and to implement it successfully if those affected by the legislation can seek redress if it is incorrectly implemented. For example, in cases where a regulator's activity has obliged a regulated firm to give up a disproportionate amount of fee-earning time to deal with the regulator's enquiries, or where that activity has been handled so badly that the firm has been unable to continue their business while waiting for the regulator to complete its work, compensation must be available automatically for material losses suffered by the firm as a result of the regulator's activity. This would increase the costs to departments of getting policy implementation wrong, and so act as an incentive upon them to get it right in the first instance.

2. *Are relations between the centre of government, individual departments and frontline public sector workers organised so that each part of government can do its work effectively? Is there the right balance of powers, operational responsibilities and accountability structures?*

PCG is concerned that some front-line staff have been given strong powers for which they are not adequately accountable. PCG members have repeatedly expressed concerns that they have experienced or witnessed regulations being wrongly implemented, at times by inspectors who do not possess appropriate expertise or experience. At other times, regulations have been drafted so badly that they have directly and seriously undermined businesses.

To address this, there must be greater incentives on, and help for, departments and agencies to implement and execute legislation effectively. Giving policy makers a greater understanding of the sectors they are regulating would help them draft successful policies. Giving inspectors a greater commercial awareness

would also help them appreciate those they are inspecting. Greater access to redress against wrongly-implemented policies would also make departments more accountable for their actions. Businesses should also always have the right of appeal against a decision to a body independent of the original regulator.

3. *What is the best way of ensuring high standards of ethical conduct among civil servants and public servants? How can high standards of conduct be properly enforced?*

Taxation has always been one of the key campaign issues for PCG, and it is therefore unsurprising that the actions of officials at HMRC have been of concern to our members. Since its formation from the merger of the Inland Revenue and HM Customs and Excise in 2005, HMRC has developed a reputation for falling standards of service, increasing aggression towards small businesses and a lack of commercial awareness. Its relationship with business taxpayers in particular is in serious trouble.

It is essential that HMRC be made accountable to the public it serves: it is not acceptable for tax inspectors to trample all over businesses with insensitive investigations, crude bullying tactics and incorrect interpretations of the law. Nor is it acceptable for taxpayers to be disadvantaged or even bankrupted by HMRC's administrative failures. For all those whose interests are damaged by HMRC, and for all those who are prevented from generating wealth for the economy, full and fair redress must be available.

PCG therefore believes that a duty of care must be placed on HMRC such that no taxpayer may suffer significant material losses as a result of any HMRC activity, bar the collection of taxes owed in law and any appropriate penalties.

A culture of neutrality should also be established among tax inspectors and this should be independently audited.

4. *Do the right incentives exist for public sector workers to deliver policies effectively? For instance, what could complement (or replace) targets for policy and service delivery?*

We have already set out above why we think providing redress for those harmed by wrongly-implemented policies would create a greater incentive on government bodies and their workforce to deliver legislation more successfully. Another way in which departments could be incentivised to deliver policies effectively would be for them not to penalise those businesses that have followed official guidance which turned out to be wrong. The provision of accurate guidance is essential if policies are to be delivered successfully.

Businesses often rely on guidance in order to comply with complex legislation. Indeed, they are encouraged to turn to guidance to gain an explanation of what legislation requires of them. Sometimes, however, the guidance provided can turn out to be inaccurate, or contradict the legislation. Penalising them for following incorrect guidance is a gross unfairness and a symptom of guidance-led legislation. PCG would like to see a binding undertaking to prevent this from happening in future: businesses who have acted in accordance with government guidance and recommendations should not be penalised for doing so, even if that guidance was not correct.

Ideally, legislation should be written in such a way that it does not require substantial guidance so that businesses can work out what it means. In circumstances where the law is not sufficiently clear to produce the desired policy outcome and guidance is used as a means of fine-tuning the law, regulators who have applied legislation contrary to the guidance should be subject to disciplinary action; in these circumstances, any penalties owed should not be collected, even if they are technically owed according to the law (but not the guidance). This is only fair: businesses rely on the guidance to tell them how to comply with the law, and so regulators should also follow the guidance when enforcing compliance.

If both of these measures are taken, government departments will be incentivised into always producing concise guidance which strictly reflects its underlying legislation; and departments will put more effort into producing accurate guidance that businesses can rely upon in order to comply with the law.

5. *Would changing the way in which policy or legislation is made increase the likelihood of successful policy delivery? How well does knowledge from policy implementation feed into policy or law making?*

PCG believes that one of the main faults in policy making currently is that insufficient regard is given to reviewing the effects of policies after they have been implemented. While the system of having open consultation with stakeholders and producing impact assessments on new measures does help policy makers produce effective policies, this is not enough; there is no point in going through the consultation and impact assessment process and implementing a new measure, and then not checking that the measure has had the desired effect. Rigorous post-impact assessment of policies must therefore play a fundamental part in the policy development process. It is only after implementation that policy makers can know whether their policy making was effective, allowing them to learn from their mistakes and make any policy changes as necessary.

As policies are more likely to be successfully delivered if there has been effective consultation with stakeholders in the development stage, improving the consultation process would also help improve policy delivery. We have outlined what a successful consultation process looks like elsewhere in this document, but another way it could be enhanced would be to improve the coordination of consultations within and between government departments. Currently, one or more departments may launch several consultations all at the same time. This can make it difficult for stakeholders to find the time to respond adequately to all of the consultations, particularly if the consultations are launched at inconvenient times for stakeholders—such as around Christmas, or the January self-assessment filing deadline—when they may be away on holiday or too busy to respond. The trouble in these circumstances is that insufficient feedback is provided to the government departments undertaking the consultations, weakening their policy development process and decreasing the chances that policies will be successfully delivered.

Departments should also consider providing more information in their consultations about the origin of data used to substantiate claims made to advance policies. Currently, stakeholders may feel that consultations are used to sell the Government's position, rather than to provide an opportunity for open debate about all issues relating to a policy. Allowing greater access to the underlying data would allow stakeholders to check the facts for themselves, and to see if this tallied with what they already believed to be the case. This would significantly enhance transparency and encourage stakeholders to provide input into the consultation process.

Tax policies would more likely be successfully delivered if the tax system was brought within the remit of the better regulation regime. If the Better Regulation Executive were able to provide oversight of HMRC's tax policy proposals, it would increase the chances that new tax policies were delivered with fewer burdens on taxpayers.

6. *Is effective policy implementation hampered by too much change—whether in the form of constant new initiatives, or wider structural reorganisations? How does this affect public sector workers' ability to deliver policies?*

If legislation is to be implemented effectively, then it must be straightforward for those affected by legislation to be able to comply with it. Too much legislation, and too many changes in legislation, can reduce the likelihood that those affected by legislation will be able to comply easily, however.

Businesses, in particular, can struggle to keep up with regulatory changes. Whenever a new regulation is introduced, business owners need to take time off from running their businesses to familiarise themselves with the regulation and determine what they need to do in order to comply. The introduction of common commencement dates has helped in this regard. CCDs allow businesses to know in advance what regulatory changes are being made, and to plan what they need to do to stay compliant.

On the other hand, the constant introduction of one-off measures to a regulatory area can be a burden for businesses. This may particularly be a concern in the field of taxation. The Government have, quite rightly, sought to simplify the system of taxation in the UK in order to reduce the burden on taxpayers. But one-off simplification measures may potentially end up increasing burdens, as each time taxpayers have to familiarise themselves with a new rule or requirement. This underlines the importance of proposed simplification measures receiving advanced input from, and the backing of, business and tax experts and stakeholders, before they are introduced to ensure they will in fact reduce burdens. If they do not receive this input and backing, they are liable to fail, and may end up imposing increased burdens on businesses.

7. *How adequate are existing mechanisms for judging government performance, such as departmental capability reviews and public service agreement targets?*

PCG believes the Better Regulation Executive has an important role to play across government in examining the amount and effectiveness of regulation produced by government departments. We firmly believe that the tax system should be brought inside the main better regulation regime; while HMRC have been trying to simplify the administrative side of the system, the sheer complexity of the tax code itself has seriously limited the effectiveness of their work.

8. *When weak performance in government is identified, are the right things being done to correct it? If not, what should be done about poor performance?*

Correction of weak performance would come about if there were greater opportunities for those affected by legislation to seek redress from regulators when legislation is wrongly implemented. Improved risk assessment on behalf of regulators would mean that, in practice, such compensation should be necessary in very few cases. If risk assessment is working well, then an investigation into a low-risk business will quickly be closed, with minimal cost to both sides. If this does not happen in many cases, the regulator's risk profiling must be improved. In other words, if the regulator's risk assessment procedure is functioning properly, it should have nothing to fear from providing appropriate compensation; if it is not functioning properly, it is all the more urgent that such compensation should be available.

Where correction of weak performance is already taking place, businesses and individuals should be made aware of this. For example, where an inspector is found to have wrongly implemented a piece of legislation, the inspector should receive re-training and any businesses or individuals affected should be made aware that training has taken place. This would help alleviate concerns that the same wrongdoing could occur again in the future.

9. *What can we learn about good government from instances where government gets it right?*

Instances where government has got it right include: the introduction of common commencement dates to allow businesses advanced notice of when regulations are going to be implemented; the establishment of twelve weeks as the minimum period for formal consultation to allow stakeholders time and opportunity to provide input; and the holding of regular stakeholder meetings to discuss policies with stakeholder groups face-to-face, allowing for a fluid discussion about policies to take place. These are all instances where government has sought to help businesses comply with regulations by being open, cooperative and giving them time to prepare and understand what is required of them.

June 2008

Memorandum from Prospect

Introduction

1. Prospect is a TUC affiliated union representing 38,000 members across civil service departments, agencies and non departmental public bodies (NDPBs). Our members are engineers, scientists, managers and specialists in areas as diverse as agriculture, defence, energy, environment, heritage and transport.

2. Two years ago we submitted evidence to the Select Committee's inquiry into "Skills for Government" that highlighted the importance of a professional civil service. The concerns that we expressed at that time have a continuing relevance to the current inquiry into "Good Government", in particular the implications for civil servants and public service workers. In our view, insufficient progress has been made to:

- Recognise the essential role of professional staff in providing advice and support to government.
- Enhance the professionalism of the civil service by re-establishing specialist career paths and Heads of Profession and opening up access for specialists to the senior civil service.
- Initiate joint work to clarify the relationships between civil servants and Ministers, in particular with respect to specialist advisory functions.
- Properly resource the role of "intelligent customer", both at contract level and in delivering policy advice to government. Continuing adverse procurement experience demonstrates that it is vital to retain technical skills in-house.

3. Our brief response to the specific questions identified by the Select Committee is set out in the paragraphs below.

What does good government look like and what are its necessary conditions?

4. As long ago as 1968 the Fulton report described the range of activities that were the role of government:

- Analysis of policy issues;
- Formulation of policy;
- Implementation of policy;
- Delivery of services to the public; and
- Management of resources.

5. Fulton's prescription stands the test of time though it is also of increasing importance that information about these activities is available in a format and medium that is readily accessible and understood by citizens. We would expect good government to engage in dialogue at all levels, including to explain difficult decisions, and to maintain dialogue even when its position differs from those of stakeholders and counterparts.

6. Building on this, in Prospect's view, there are three basic principles for the performance of government functions:

- Ministerial accountability through Parliament;
- Objectivity, impartiality and political neutrality; and
- Fair and open competition in the recruitment and promotion of public servants.

7. There is always scope for improvement in the operation of these principles. Shortcomings tend to be more visible than successes, but there are examples of good government in operation. Examples include the Seed Potato Classification Scheme (SPCS) and the Plant Health Propagation Scheme (PHPS) run by the Plant Health and Seed Inspectorate in DEFRA. In both cases European Union and international directives are put into effective operation by competent technical officials working in close collaboration with the industry and with scientists to ensure a scheme that is practical, fair and effective in the interests of industry and the public.

Are relations between the centre of government, individual departments and frontline public sector workers organised so that each part of government can do its work effectively? Is there the right balance of powers, operational responsibilities and accountability structures?

8. In our view, there is insufficient clarity of role definition in relation to core government departments, executive agencies, non departmental public bodies and trading funds. This is more than a matter of semantics since it impacts on business planning and operational delivery, resource allocation and freedom to operate. It also makes it easier for other parts of government, such as the Treasury, to interfere in business decisions and impair effective delivery.

9. Prospect does accept that the Government is trying to improve coherence and coordination between the centre and individual departments, though there is a deeply embedded culture in the civil service of departments, headed by competitive Permanent Secretaries, guarding their own territory. There is no doubt that this creates real difficulties for effective implementation of policy areas with cross-government application, such as science and innovation. Dangers are either lack of effective stewardship, in cases where Cabinet level accountability is not defined, or policy paralysis, where departmental ministers with differing priorities effectively veto decision-making.

10. There are also challenges in resolving tensions between the desire for central co-ordination on some issues whilst delegating responsibility on others. One example is the push for central coordination or at least benchmarking on skills development, through the Professional Skills for Government (PSG) programme, whilst maintaining delegated terms and conditions of employment with a level of variance that constitutes a major barrier to staff movement. The central role of the Cabinet Office is confined to recommendation and persuasion rather than instruction.

11. In service areas that cross central and local government boundaries, such as the Metropolitan Police Service (MPS), these tensions are felt very directly. For instance, the MPS can only overcome the central 2% public sector pay constraint through identification of efficiency savings. Yet such savings identified at London Borough (ie operational) level are unavailable because Borough Commanders are accountable to local communities that exercise a more powerful influence on decision-making. In effect, central policy cannot be delivered consistently across the MPS.

12. Frontline workers express frustration at constraints and restrictions that preclude flexible and responsive actions.

What is the best way of ensuring high standards of ethical conduct among civil servants and public servants? How can high standards of conduct be properly enforced?

13. In Prospect's view, albeit at times against the odds, there is still a strong public service ethos. At individual level, most public servants seek to work for the public good as opposed to private profit or the provision of commercial products and services. This assessment is backed by independent academic analysis of the British Social Attitudes Survey[307] which showed that:

- Public sector workers value a job that is useful to society more highly than their private sector colleagues; and
- Public sector workers value an interesting job and opportunities to work independently more highly than private sector workers, who are marginally more financially motivated.

However, the analysis also showed that job security is important for both public and private sector workers and the public service ethos does not equate to assent for cutbacks and wage restraint.

14. It is of concern that there is no comprehensive or coherent accountability regime for public services. Prospect has previously argued that the responsibility of ministers for policy and of chief executives for delivery needs to be more clearly defined, including the relationship between ministers and civil servants—in particular pertaining to ministerial responsibility and accountability to Parliament. It is unfortunate that, in ethical terms, ministers have not always led by example. Equally the widespread use of consultants, who operate to very different cultural expectations, has not always been conducive to maintaining high standards. Our members would like to see a consistent and rigorous process for identifying and punishing infringements that applies in all cases, irrespective of level of seniority.

[307] Peter John (University of Manchester) and Mark Johnson (British Social Attitudes).

15. Having said this, it is important to maintain a sense of perspective and, above all, to respect and build on the strong tradition of public service in the UK. If people are treated fairly and openly, they will generally respond positively and to a high ethical standard.

Do the right incentives exist for public sector workers to deliver policies effectively? For instance, what could complement (or replace) targets for policy and service delivery?

16. Management systems and incentives that focus on annual delivery tend to block out any proposals for medium to long-term efficiencies since these will not produce an achievement within the annual planning cycle. Also the current focus on budgetary objectives and drive for real cash savings create an environment in which other improvement options are not prioritised. There is a wide perception that senior staff are rewarded for failure—or at least treated less harshly than others—on the basis that "lessons will be learned for next time".

17. As indicated below, it would be better to have fewer targets but the strong view of Prospect members is that internal restrictions and lack of freedom to make decisions are far more significant barriers to service delivery than lack of incentives.

Would changing the way in which policy or legislation is made increase the likelihood of successful policy delivery? How well does knowledge from policy implementation feed into policy or law making?

18. There are certainly issues about the inter-relationship between UK and EU policy-making and legislation, which can result in complex but relatively ineffective policy-making. However, there are a range of other constraints that need to be addressed including consistent dissemination of policy decisions and local "tweaking" of policy decisions. Greater openness about policy options at an earlier stage, wider consultation about policy development and better explanation of policy purpose would all contribute to improved policy implementation. It would also help if, instead of constant change, policies were operated for a reasonable period of time so that lessons could be learned from experience.

Is effective policy implementation hampered by too much change—whether in the form of constant new initiatives, or wider structural reorganisations? How does this affect public sector workers' ability to deliver policies?

19. In many cases the business case for change is neither fully developed nor effectively explained to staff and consultation with unions is not thought about until a relatively late stage in the process. Change is therefore often seen as the "whim" of ministers, and the appearance of "busyness" in response to such perceptions can become paramount whether or not the change in question is well founded. Peaks in activity also arise when change is prompted by a desire to respond urgently to an emerging problem, often with an adverse impact both on the quality of policy making and consistency of implementation.

20. Even where the case for change is well articulated, for example in the Hampton Review, implementation is so tightly micro-managed and analysed that it works against effective operation. Government needs to find ways to implement such initiatives that do not stifle operations.

21. There is no doubt that funding cuts, privatisation and contracting out have had a major impact on the ability of government to co-ordinate effectively and to offer impartial advice in response to emergencies. Whilst government by contract may provide a degree of flexibility for switching between sources of supply or attracting new skills, it does not provide the long-term collective memory required to maintain continuity.

How adequate are existing mechanisms for judging government performance, such as departmental capability reviews and public service agreement targets?

22. Public services have been subject to a stream of targets and monitoring systems, but measuring an activity does not necessarily give any meaningful insight into its effectiveness and the current multiplicity of targets imposes a heavy burden on public sector organisations. Prospect members feel very strongly that there is too much reliance on contrived figures and not enough reliance on the sound judgement of professionals in the field.

23. Prospect supported the conclusion of the National Audit Office following its 2003 review of targets that there should be both a greater focus on the needs of service users and on collecting and using comparative data more effectively. At present local interpretation of targets can result in apparently differing outcomes that in fact bear little relation to reality. Care must also be taken that the input of resources and the level of the baseline (in relation to league tables) are taken into account. Consistent principles and practice should also apply to services provided through public-private partnerships and contracts.

24. Capability reviews seem to have had more impact than the wider ranging PSAs, in part because of their focus on senior levels in an organisation and high level of visibility. However, this may at least in part be due to their novelty. It becomes easier for organisations to adjust their behaviour over time to fulfill targets, though this adaptive behaviour is geared to a specific purpose and will not necessarily improve service delivery.

When weak performance in government is identified, are the right things being done to correct it? If not, what should be done about poor performance?

25. A positive strategy for improving performance in government must include investment in infrastructure and skills. Government's Skills Strategy is in many ways an admirable document, but there is a huge challenge to deliver the aspirations it sets out.

26. It is crucial to have "intelligent" or informed customers within government to undertake a range of roles including identifying whether research needs to be carried out, having knowledge of capabilities to undertake necessary work, assessing the merits of alternative contractors, and evaluating the end results. This range of expertise is unlikely to be found in one person and the function needs to be properly resourced. Furthermore it can only be achieved by government if a close relationship is retained between those responsible for policy and its execution.

27. It is also essential to have clear and effective accountability, including at senior levels. Departmental management boards often comprise individuals with strong opinions and levels of independence than often exceed their area of concern. Stronger governance should underpin more effective corporate responsibility.

What can we learn about good government from instances where government gets it right?

28. This is an issue worthy of further investigation, but in our view key criteria will include: clarity of focus; clear authority and accountability; consistency of implementation; and speed of response.

October 2008

Memorandum from the TaxPayers' Alliance

QUESTION 2, PART 1

Are relations between the centre of government, individual departments and frontline public sector workers organised so that each part of government can do its work effectively?

The performance of any organisation should be judged on the quality of its output. Judged on this basis the management of public services by politicians and civil servants has been extremely poor. Although the UK is the 5th richest country in the world:

- Education—OECD rankings show that, since 2000, British 15-year-olds have fallen from 8 to 24 in maths; from 7 to 17 in reading; and in science from 4 to 14.[308] Four out of 10 pupils leave schools without the minimum standards in English and maths that the QCA deems necessary for "Life, Learning and Work".[309]
- Health—the standard of care provided by the National Health Service is now ranked 16 in a comparison of 19 peer countries.[310]
- Crime—crime levels in England and Wales are the third highest of 39 peer countries.[311]
- Poor and disadvantaged—the poor and disadvantaged get the worst education and the worst healthcare and suffer the highest rates of crime.

The straight answer to the question, therefore, must be no.

[308] OECD Programme for International Student Assessment 2006, December 2007.
[309] *GCSE attempts and achievement in selected subjects of pupils at the end of Key Stage 4*, Department for Education and Skills, October 2006.
[310] Nolte, Ellen, 2008, *Measuring the Health of Nations*, Commonwealth Fund.
[311] Home Office, October 2003, *International comparisons of criminal justice statistics.*

Question 2, Part 2

Is there the right balance of powers, operational responsibilities and accountability structures?

The answer, again, is no. Those with responsibility for a task must have the authority to execute it. This is rarely true in the current structure of government, where authority and responsibility are divide.

Here are just two examples:

— Defence—the Chief of Defence Staff has responsibility for the performance and wellbeing of the armed forces, but he does not have the authority over equipment, supplies and personnel policies. For example, he cannot order the refurbishment of a barracks, as this is the responsibility of Defence Estates, which is not under his command.

— Education—head teachers have the responsibility and the professional training to educate their pupils. But they have very limited authority to decide their curriculum, to select pupils best suited to their school and to reward staff. Under David Blunkett, schools received 200 directives totalling 4,000 pages in one year. That is one directive every school day telling teachers how to do their job.

Question 1

What does good government look like, and what are its necessary conditions?

It is first necessary to look at why the current system of government is failing, before articulating the principles of effective government. To get a better understanding of the role of the leader in a large organisation, we asked the chief executives of the FTSE 100 companies what experience their replacement would need and the minimum time they would expect them to stay in the post. We then compared this to what happens in government.

The FTSE 100 chief executives who responded to our survey stated the basic experience they would look for in their successor:[312]

— Sector experience—knowledge of the company's market, customers and processes.

— Experience of managing large organisations—one chief executive called for at least 20 years of experience of managing medium to large companies and a working knowledge of all their key functions.

— Tenure—at least five years, with an absolute minimum of three years.

Government management falls short in each of the three areas and has one additional failing:

— Sector experience—government, with 2,063 subsidiary bodies, has become extremely complex and diverse. Take, for example the Department for Culture, Media and Sport. It has 46,041 staff in 63 subsidiary bodies with an annual expenditure of £6.1 billion. Its activities include heritage, historical sites, libraries, the Lottery, the Tote, museums, media including the BBC, tourism and the construction of the 2012 Olympic site. It is impossible for anyone to have sufficient sector knowledge of this diverse range of activities to agree for each their visions, objectives, plans and budgets. The result is no management control and therefore no democratic control over these subsidiary bodies.

— *Management experience*—none of the current cabinet has any experience of managing a large business, and only 1 in 7 MPs has any management experience at all, let alone of giant organisations such as government departments.[313]

— *Tenure*—the average appointment for a Secretary of State is two years, for a senior civil servant two years and eight months, and for a minister just one year and eight months.[314]

— *Monopolies*—public services are monopolies. Freed from the threat of customer loss or bankruptcy, monopolies remove the basic tools of management and kill the need to innovate, improve and reduce costs.

A Proposal for how Good Government can be Achieved

The principles

— National government should only do those things that civil society and local government cannot do for themselves.

— Politicians, national or local, with the aid of a small team of civil servants, should set high-level policy and provide funding through taxation.

[312] "Structure of Government 2: The Failure of Government Management", The TaxPayers' Alliance, June 2008.
[313] Financial Times, 2/4/ 2008, *Politicians' lack of Commercial Experience.*
[314] Public Administration Select Committee, *Ninth Report of Session 2006–07, Skills for Government*, p 38.

— Execution should be by people who have the management experience and the in-depth knowledge of the sector.

— Monopolies should be broken up wherever possible.

There are two types of "public services"—Personal services and *bona fide* Public services. These need different organisational structures.

Personal Services

Personal services, such as pensions, education and healthcare, do not need central planning, direction or control. An individual, for example, can manage his own pension arrangements but not the defence of the realm.

Ministers and departments would be replaced by cross-party Parliamentary Policy Committees. The Secretary of State would be the chairman and the members, like non-executive company directors, would be appointed for a minimum period of three years so they can become knowledgeable in the sector. Each Committee should be backed by a small team of civil servants to keep the members informed about the policies and outcomes of peer countries.

The role of Personal Service Policy Committees should be:

— to set high level policy; (eg, the years of compulsory education);

— to provide funding through taxation; (who will be funded and how much);

— to submit these to the Prime Minister and Parliament for approval; and

— to ensure that the funds are not used fraudulently.

As these services do not need central planning, direction or control, the responsibility and authority for their execution should be returned to civil society—the people who are best placed to manage them effectively. Take education as an example:

— Parents have the greatest knowledge about their children—their talents, character and emotions. They should, therefore, have the authority to select the school that best meets their child's needs and to remove the child if the school is unsatisfactory.

— Headteachers have the knowledge and the experience to educate pupils. They should, therefore, have the authority to decide the curriculum for their school, to set fees, and to select pupils and staff. They would be accountable to parents, not to civil servants. If a school did not perform it would go bankrupt or be taken over.

This may sound radical but it is the same relationship that civil society has with government for the provision of food and clothing. The poor do not starve or go naked because politicians are not managing the production and distribution of food and clothing. Politicians should set policy for personal services and civil society should execute it.

Public Services

Bona fide public services, such as criminal justice, foreign policy and defence, need central planning, direction and control. Each department should be managed by a chief executive who has extensive management experience and in-depth knowledge of the sector. For example, the chief executive of defence should be a member of the armed forces.

In order to increase democratic control, each bona fide public service would have a cross-party Parliamentary Executive Board, which would replace the Ministers and the senior levels of the civil service. The Secretary of State would be the chairman and the members, like non-executive company directors, would be appointed for a minimum period of three years so they can become knowledgeable in the sector. The Parliamentary Executive Board would have the responsibility and authority, subject to the approval of the Prime Minister and Parliament:

— to appoint and, when necessary, remove the chief executive;

— to agree the outcomes desired, broad plans and budgets; and

— to hold the chief executive accountable for achieving these.

Although this may sound radical, it could be put into operation relatively quickly and easily as it is very similar to the existing executive agencies. The main difference would be the increase in democratic control exerted through the cross-party Parliamentary Executive Boards.

Disbanding Monopolies

The powers of the Competition Commission should be extended to include all government operations. The monopoly effect would be:

— removed for personal services as their provision would be returned to civil society; and

— greatly reduced in public services by ensuring that, wherever possible, functions were subject to competition and sub-contracted to civil society, as some prisons are today.

Any company or charity could approach the Competition Commission about areas where the monopoly status was not necessary.

Evidence that this should Work

Once monopoly status and political management were removed, the de-nationalised industries doubled their productivity per person.[315]

— BT was typical. It increased productivity by 2.8 times and the quality and choice of services, while reducing prices by 40%.

— British Coal had the highest increase in productivity. A quarter of the previous work force produced 10% more coal after de-nationalisation.

Similar increases in productivity, quality and choice, and reductions in cost should be achieved in today's "Public Services", if the above principles were applied.

Table 1

INCREASE IN OUTPUT PER PERSON BETWEEN 1979 AND 1994[316]

Company/industry	*Percentage increase in output per person*
British Coal	341
BT	180
Cable & Wireless	123
BAA	115
British Steel	104
Electricity	100
Rolls Royce	100
British Gas	73
British Airways	14

The Major Benefits

Politicians, with the aid of a small team of civil servants, should set high level policy—these were the skills they were elected for. Civil society or experienced, knowledgeable management should execute it.

The public would get:

— a higher quality and a wider choice of services at greatly reduced costs, and most important, greater control over their lives; and

— increased democratic control over public services.

Excellence and Fairness: Achieving World Class Public Services

These recommendations would help government to achieve two of the main conclusions of the recent Cabinet Office report, "Excellence and fairness: achieving world class public services". Central government should:

— focus on strategic issues (points 124 and 130 of the Cabinet Office report); and

— empower citizens and professionals (point 126).

This would free politicians to concentrate on policies to help the poor and disadvantaged.

[315] The Work Foundation, 2004, *Budget Response: Appendix A*; Tax Payers' Alliance calculation.
[316] The Work Foundation, 2004, *Budget Response: Appendix A*; Tax Payers' Alliance calculation.

APPENDIX A

THE GOVERNMENT OF THE UNITED KINGDOM, AS AT MARCH 2007
Including bodies effectively controlled by national government

		Staff	*Spending £ million*
	Law Officers Department	**9,917**	**14**
	Attorney General		
	Solicitor General		
	Treasury Solicitor's Department	900	14
	Non-Ministerial Departments x 3	9,017	—
	Cabinet Office	**3,377**	**6,496**
	Minister of State for the Cabinet Office		
	Minister of State for the Third Sector		
	Parliamentary Secretary (Social Exclusion)		
	Minister without Portfolio		
	Central Department	1,479	6,460
	Executive Agencies x 1	701	0
	Subsidiary Bodies x 13	42	35
	Non-Ministerial Departments x 3	1,155	—
Prime Minister			
	Communities and Local Government	**9,402**	**33,183**
	Secretary of State		
	Minister of State for Housing and Planning		
	Minister of State for Local Government		
	Parliamentary Under Secretary (Women & Equality)		
	Parliamentary Under Secretary		
	Parliamentary Under Secretary		
	Central Department	2,802	30,726
	Executive Agencies x 4	2,560	
	Subsidiary Bodies x 24	3,680	2,457
	Local Authorities	**2,297,000**	**122,569**
	Constitutional Affairs	**35,005**	**3,601**
	Secretary of State and Lord Chancellor		
	Minister of State for Criminal Justice		
	Parliamentary Under Secretary (Human Rights)		
	Parliamentary Under Secretary		
	Parliamentary Under Secretary		
	Central Department	2,711	2,145
	Executive Agencies x 5	31,808	1,321
	Subsidiary Bodies x 573	486	135
	Culture, Media and Sport	**46,041**	**6,103**
	Secretary of State		
	Minister of State for Creative Industries and Tourism		
	Minister of State for Sport		
	Minister of State for Culture		
	Central Department	535	4,447
	Executive Agencies x 1	101	20
	Subsidiary Bodies x 62	45,405	1,636
	Defence	**287,261**	**38,858**
	Secretary of State		
	Minister of State for the Armed Forces		
	Minister of State for Defence Equipment and Support		
	Parliamentary Under Secretary (Veterans)		
	Central Department	68,374	29,596
	Executive Agencies x 12	29,676	9,182
	Subsidiary Bodies x 36	11,441	80
	Armed Forces personnel	177,770	

		Staff	*Spending £ million*
Prime Minister			
	Education and Skills	**763,189**	**70,999**
	Secretary of State		
	Minister of State for Children, Young People, Families		
	Minister of State for Schools and Young Learners		
	Minister of State for Lifelong Learning		
	Parliamentary Under Secretary (Schools)		
	Parliamentary Under Secretary (Children and Families)		
	Parliamentary Under Secretary (Skills)		
	Central Department	3,281	52,305
	Subsidiary Bodies x 21	10,170	18,694
	Non-Ministerial Departments x 1	2,238	—
	School workforce in England	747,500	
	Environment, Food and Rural Affairs	**33,396**	**4,026**
	Secretary of State		
	Minister of State for Climate Change & Environment		
	Minister of State for Sustainable Farming and Food		
	Parliamentary Under Secretary (Biodiversity, Landscape)		
	Parliamentary Under Secretary (Marine, Animal Welfare)		
	Parliamentary Under Secretary (Farming and Food)		
	Central Department	2,829	1,668
	Executive Agencies x 9	9,482	2,303
	Subsidiary Bodies x 96	20,140	55
	Non-Ministerial Departments x 2	945	—
	Foreign and Commonwealth Office	**26,826**	**1,985**
	Secretary of State		
	Minister of State for Europe		
	Minister of State for the Middle East		
	Minister of State for Trade		
	Parliamentary Under Secretary (Trade)		
	Central Department	15,859	1,518
	Executive Agencies x 2	1,248	25
	Subsidiary Bodies x 10	9,719	442
	Health	**1,343,839**	**94,194**
	Secretary of State		
	Minister of State for Health Services		
	Minister of State for Public Health		
	Parliamentary Under Secretary (Care Services)		
	Parliamentary Under Secretary (Health Services)		
	Parliamentary Under Secretary		
	Central Department	2,315	11,775
	Executive Agencies x 2	582	39
	Subsidiary Bodies x 56	7,460	780
	Non-Ministerial Departments x 1	2,373	—
	NHS England	1,331,109	81,600
Prime Minister			
	Home Office	**315,308**	**14,390**
	Secretary of State		
	Minister of State for Policing		
	Minister of State for Criminal Justice		
	Minister of State for Immigration		
	Parliamentary Under Secretary (Immigration)		
	Parliamentary Under Secretary (Criminal Justice)		
	Parliamentary Under Secretary (Policing)		
	Central Department	24,077	10,868
	Executive Agencies x 3	51,006	2,382
	Subsidiary Bodies x 29	8,184	1,140

		Staff	*Spending £ million*
	Non-Ministerial Departments x 1	219	—
	Police workforce	231,822	
	International Development	**8,504**	**5,408**
	Secretary of State		
	Parliamentary Under Secretary		
	Central Department	*1,719*	*5,389*
	Subsidiary Bodies x 4	*6,785*	*16*
	Northern Ireland Office	**4,881**	**1,449**
	Secretary of State		
	Minister of State		
	Parliamentary Under Secretary		
	Parliamentary Under Secretary		
	Parliamentary Under Secretary		
	Central Department	1,297	1,206
	Executive Agencies x 4	2,830	197
	Subsidiary Bodies x 17	754	45
	Privy Council Office	**90**	**7**
	Leader of the House of Commons		
	Leader of the Lords		
	Privy Council Office	33	—
	Office of the Leader of the Commons	57	—
	Scotland Office	**82**	**6**
	Secretary of State		
	Minister of State		
	Advocate General for Scotland		
	Central Department	49	4
	Office of the Advocate General	33	2
Prime Minister			
	Trade and Industry	**247,997**	**6,277**
	Secretary of State		
	Minister of State for Industry and the Regions		
	Minister of State for Trade, Investment, Foreign Affairs		
	Minister of State for Science and Innovation		
	Parliamentary Under Secretary (Employment)		
	Parliamentary Under Secretary (Energy)		
	Central Department	3,387	290
	Executive Agencies x 3	2,246	0
	Subsidiary Bodies x 60	241,044	5,987
	Non-Ministerial Departments x 5	1,320	—
	Transport	**23,913**	**15,882**
	Secretary of State		
	Minister of State		
	Parliamentary Under Secretary		
	Parliamentary Under Secretary		
	Central Department	1,883	13,424
	Executive Agencies x 7	16,848	2,449
	Subsidiary Bodies x 18	4,803	8
	Non-Ministerial Departments x 1	379	—
	HM Treasury	**106,038**	**224**
	Chancellor of the Exchequer		
	Chief Secretary to the Treasury		
	Paymaster General		
	Financial Secretary		
	Economic Secretary		
	Central Department	1,127	182
	Office of Government Commerce	375	33

			Staff	*Spending £ million*
	Debt Management Office		85	7
	HM Revenue and Customs		96,604	—
	Executive Agencies x 2		1,004	0
	Subsidiary Bodies x 2		2,670	1
	Non-Ministerial Departments x 3		4,173	—
Prime Minister				
	Wales Office		**57**	**4**
	Secretary of State			
	Parliamentary Under Secretary			
	Central Department57		4	
	Work and Pensions		**124,134**	**127,113**
	Secretary of State			
	Minister of State for Pensions Reform			
	Minister of State for Work			
	Parliamentary Under Secretary (Disabled People)			
	Parliamentary Under Secretary (Lords)			
	Parliamentary Under Secretary (Commons)			
	Central Department		8,681	121,430
	Executive Agencies x 6		103,595	5,027
	Subsidiary Bodies x 17		11,858	656
		Total	**5,686,257**	**552,788**

APPENDIX B

UK GOVERNMENT SUBSIDIARY BODIES, AT 31 MARCH 2007

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Total	**1,162**	**714,430**	**63,518.8**	**101,756.4**
Attorney General's Office	**4**	**817**	**0.0**	**57.9**
Treasury Solicitor's Department		817	0.0	57.9
Non Ministerial Departments		**9,017**	**684.8**	**715.8**
Crown Prosecution Service *		8,384	602.5	638.2
Revenue and Customs Prosecutions Office *		257	37.7	36.8
Serious Fraud Office		376	44.6	40.8
Cabinet Office	**16**	**1,518**	**68.3**	**434.6**
Communications		**701**	**0.0**	**338.8**
Advertising, Advisory Committee on		0	~	~
Central Office of Information		701	0.0	338.8
Personnel		**14**	**1.1**	**1.1**
Business Appointments, Advisory Committee on		~	~	~
Civil Service Appeal Board		4	0.4	0.4
Committee on,		5	0.6	0.6
House of Lords Appointment Commission		3	0.1	0.1
Main Honours Advisory Committee		~	~	~
Security Commission		1	~	~
Security Vetting Appeals Panel		1	~	~
Senior Salaries Review Body		~	~	~

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Regulation		~	~	~
Better Regulation Commission		~	~	~
Third Sector		**28**	**34.3**	**34.0**
Capacitybuilders UK Ltd		28	34.3	34.0
Commission for the Compact		~	~	~
Futurebuilders Advisory Panel		~	~	~
Non Ministerial Departments		**775**	**33.0**	**60.8**
Charity Commission for England and Wales		514	30.5	31.4
National School of Government		261	2.5	29.3
Communities and Local Government	**28**	**6,240**	**2,522.6**	**1,104.7**
Audit		**2,005**	**26.8**	**199.7**
Local Authorities and the NHS in England and Wales, Audit Commission for		2,005	26.8	199.7
Building		**828**	**48.5**	**60.7**
Standards for the Planning Inspectorate, Advisory Panel on the		0	0.0	0.0
Architects Registration Board		18	0.0	2.4
Building Regulations Advisory Committee		0	0.0	0.0
Planning Inspectorate		810	48.4	58.2
Social		**421**	**31.1**	**45.1**
Racial Equality, Commission for		193	19.1	19.6
Community Development Foundation		56	1.5	14.9
National Community Forum		2	0.2	0.0
Women's National Commission		0	0.3	~
Equal Opportunities Commission		170	10.0	10.5
Fire Service		**309**	**19.8**	**25.2**
Firebuy		20	2.0	2.0
Fire Services College		289	17.7	23.2
Housing		**838**	**1,667.7**	**27.5**
Housing Corporation		551	1,644.1	2.0
Independent Housing Ombudsman Ltd		34	0.0	2.3
LEASE (The Leasehold Advisory Service)		19	1.2	1.1
National Housing & Planning Advice Unit		12	1.4	1.4
Rent Assessment Panel/Resident Property Tribunal		87	10.2	10.9
Valuation Tribunal Service		135	10.89.8	
Valuation Tribunals		0	0.0	0.0
Local Government		**117**	**11.8**	**11.7**
Beacon Councils, Advisory Panel on		0	0.1	0.0
Standards Board for England		117	11.8	11.7
Regional Development		**261**	**716.9**	**615.9**
English Partnerships		164	628.0	555.0
London Thames Gateway Development Corporation		26	49.3	15.8
Stonebridge Housing Action Trust		9	6.5	11.2
Thurrock Development Corporation		28	17.8	18.5
West Northants Development Corporation		34	15.3	15.3
Other		**1,461**	**0.0**	**118.3**
Ordnance Survey		1,410	0.0	109.7
Queen Elizabeth II Conference Centre		51	0.0	8.7
Local Government—Figures not in totals	**469**	**2,927,000**	**92,490.0**	**145,569.0**
Local Authorities x 469		*2,927,000*	*92,490.0*	*145,569.0*

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Constitutional Affairs	**578**	**33,097**	**1,161.8**	**2,404.5**
Electoral		**7**	**1.3**	**0.9**
Boundary Commission for England		6	1.2	0.8
Boundary Commission for Scotland		1	~	~
Boundary Commission for Wales		0	0.1	0.0
Information, Records & Archives		**822**	**38.2**	**55.5**
National Records and Archives, Advisory Committee on		1	~	~
Public Record, Advisory Council on		~	~	~
Historic Manuscripts, Advisory Council on		~	~	~
Information Commissioner, Office of the		243	5.1	17.3
National Archive		578	33.1	38.1
Law & The Courts		**32,268**	**1,122.3**	**2,348.1**
HM Courts Service		19,986	704.8	1,508.3
Justices of the Peace in Lancashire, Greater Manchester and Merseyside, Advisory Committee on (x17)		~	~	~
General Commissioners of Income Tax, Advisory Committee on (x73)		~	~	~
Justices of the Peace in England and Wales, Advisory Committee on (x86)		~	~	~
Public Sector Information, Advisory Panel on		~	0.1	0.1
Civil Justice Council		~	~	~
Civil Procedure Rule Committee		~	~	~
Council on Tribunals		15	1.2	1.1
Courts Board (x42)		~	~	~
Criminal Procedure Rule Committee		~	~	~
Crown Court Rules Committee		~	~	~
Family Justice Council		~	0.4	0.4
Family Procedure Rule Committee		~	~	~
Insolvency Rules Committee		~	~	~
Land Registration Rules Committee		~	~	~
Law Commission		51	~	4.0
Legal Services Consultative Panel		~	~	~
Strategic Investment Board		28	8.5	9.2
Judicial Appointments Commission		109	6.1	8.0
Legal Services Commission		32	112.8	102.6
General Commissioners of Income Tax Tribunals (x350)		n/a	~	~
Public Guardianship Office		406	1.7	21.5
HM Land Registry		8,593	~	378.2
Tribunals Service		3,048	286.8	314.5
Culture, Media and Sport	**63**	**45,545**	**1,657.8**	**8,412.8**
Art		**1,215**	**483.6**	**999.7**
Arts Council England		872	426.5	602.3
Heritage Lottery Fund		266	0.0	339.7
National Heritage Memorial Fund		1	5.0	6.3
Export of Works of Art, Reviewing Committee on the *		2	0.0	0.0
Treasure Valuation Committee *		3	0.1	0.0
Government Art Collection, Advisory Committee on the		0	0.0	0.0
Museums', Libraries and Archives Council		71	52.0	51.4
Spoliation Advisory Panel		~	~	~
Historic Sites and Buildings		**2,836**	**175.8**	**268.5**
Historic Wreck Sites, Advisory Committee on		0	~	~
National Historic Ships, Advisory Committee on		0	~	~
Churches Conservation Trust		35	4.3	5.9
Architecture and the Built Environment,				

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Commission for		102	10.1	11.9
English Heritage		1,937	141.3	175.3
Historic Royal Palaces		654	0.0	46.0
Theatres Trust & Theatres Charitable Trust		7	0.0	0.4
Royal Parks Agency		101	20.0	29.0
Libraries		**2,024**	**110.3**	**127.5**
Libraries, Advisory Council on		0	~	~
British Library		2,011	102.6	119.8
Legal Deposit Advisory Panel		~	~	~
Public Lending Right and Public Lending Right Advisory Committee		13	7.7	7.6
Lottery		**1,148**	**9.2**	**88.4**
Big Lottery Fund (BIG)		1,103	~	76.9
National Lottery Commission		45	9.2	11.4
Museums		**8,197**	**308.5**	**545.6**
British Museum		1,034	38.7	62.3
Geffrye Museum *		35	1.5	1.9
Horniman Public Museum and Public Park Trust		97	3.9	5.0
Imperial War Museum		665	20.6	42.1
Museum of London		405	7.9	24.5
Museum of Science and Industry in Manchester		116	3.9	6.2
National Gallery		453	24.0	30.4
National Maritime Museum		407	17.0	20.6
National Museum Liverpool		593	21.2	30.0
National Museum of Science and Industry		829	36.7	69.4
National Portrait Gallery		212	7.0	14.2
Natural History Museum *		932	41.5	74.8
Royal Armouries Museums		189	7.8	10.5
Sir John Soane's Museum		25	~	~
Tate Gallery		1,150	34.1	87.4
Victoria and Albert Museum		960	39.1	61.2
Wallace Collection		95	3.5	5.3
Olympics		**154**	**52.7**	**347.9**
Olympic Delivery Authority		152	52.7	192.9
Olympic Lottery Distributor		2	0.0	155.0
Regional Development		**41**	**0.9**	**1.3**
Culture East Midlands		4	0.2	0.3
Culture North East		4	0.2	0.3
Culture South East		20	0.2	0.3
Culture South West		~	~	~
Culture West Midlands		~	~	~
Culture North West		~	~	~
Living East		4	0.2	0.3
Yorkshire Cultural		9	~	~
Sport		**5,306**	**174.3**	**606.7**
Gambling Commission		175	18.7	14.4
Horserace Betting Levy Board		158	~	111.0
Horserace Betting Levy Tribunal		2	~	~
Horserace Totalisator Board (TOTE)		4,775	~	134.5
Sport England		113	102.5	257.1
UK Sport		83	53.1	89.7
Media		**24,044**	**291.0**	**5,334.2**
BBC		23,037	264.1	4,353.4
Channel 4		917	~	922.9
Sianel Pedwar Cymra (S4C)—Welsh Fourth				

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Channel Authority		~	~	~
UK Film Council		90	26.9	57.9
Tourism		**463**	**49.9**	**70.9**
England Marketing Advisory Board		0	~	~
VisitBritain		463	49.9	70.9
Other		**117**	**1.6**	**22.1**
Football Licensing Authority		15	1.6	1.6
Science, Technology and the Arts, National Endowment for		102	~	20.5
Defence	**48**	**41,117**	**8,877.3**	**4,877.8**
Armed Forces Personnel		**6,393**	**427.7**	**546.2**
Conscientious Objectors, Advisory Committee on		0	0.0	0.0
Medical Countermeasures, Advisory Group on		~	0.1	0.1
Armed Forces Pay Review Body		~	~	~
War Pensions, Central Advisory Committee on		0	0.0	0.0
Military Corrective Training Centers, Independent Board of Visitors for		~	~	~
National Employer Advisory Board		~	~	~
War Pensions Committee (x13)		0	0.0	0.0
Defence Medical, Education and Training Agency		2,359	138.3	218.1
Defence Vetting Agency		357	11.7	13.1
Defence Bills Agency		510	16.1	18.3
People, Pay and Pensions Agency		1,032	50.9	50.5
Service Children's Education		1,679	81.6	110.8
Armed Forces Personnel Administration Agency		456	129.0	135.3
Veterans Agency		~	~	~
Museum		**207**	**14.9**	**24.0**
Fleet Air Arm Museum		34	0.6	2.2
National Army Museum		88	5.3	5.7
Royal Air Force Museum		~	6.8	11.5
Royal Marines Museum		23	0.7	1.3
Royal Naval Museum		39	0.9	2.1
Royal Naval Submarine Museum		23	0.6	1.1
Research		**3,452**	**0.0**	**345.9**
Defence Scientific Advisory Council		0	0.0	0.0
Nuclear Research Advisory Council		0	0.0	0.0
Defence Science and Technology Laboratory		3,452	0.0	345.9
Sites & Equipment		**20,291**	**8,428.7**	**3,363.0**
Animal Welfare Advisory Committee		0	0.0	0.0
Defence Nuclear Safety Committee		0	0.0	0.0
Review Board for Government Contracts		0	0.0	0.0
Defence Analytical Services Agency		199	8.6	10.9
Defence Storage and Distribution Agency		4,742	184.9	319.7
Defence Communication Services Agency		4,831	1,222.4	1,500.0
Defence Procurement Agency		5,530	7,012.8	1,400.3
Army Base Repair Organization (ABRO)		2,298	0.0	132.1
Defence Aviation Repair Agency (DARA)		2,691	~	~
Other		**10,774**	**391.0**	**598.7**
Oil and Pipelines Agency		23	0.0	2.0
Ministry of Defence Police and Guarding Agency		7,981	325.7	355.4
MET Office		1,708	65.4	163.1
UK Hydrographic Office		1,062	0.0	78.2

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Education and Skills	**22**	**12,408**	**18,887.4**	**19,738.5**
Child Health and Welfare		**20**	**3.4**	**3.0**
Children's Commissioner, Office of the		20	3.4	3.0
Teenage Pregnancy, Independent Advisory Group on		~	~	~
Higher Education		**1,240**	**7,051.5**	**7,021.3**
Higher Education Funding Council for England			6,983.3	6,945.0
Fair Access, Office for		4	0.4	0.4
Student Loans Company Ltd		1,236	67.8	75.9
Legal		**1,702**	**104.4**	**108.0**
Children and Family Court Advisory and Support Service		1,702	104.4	108.0
Skills & Adult Learning		**5,520**	**10,521.5**	**11,357.1**
Adult Learning Inspectorate		217	21.7	24.7
Construction Industry Training Board		1,399	0.0	287.2
Engineering Construction Industry Training Board		~	~	~
Investors in People UK		40	4.6	7.3
Learning and Skills Council		3,741	10,328.1	10,869.9
Quality Improvement Agency for Life Long Learning		~	93.1	93.1
Sector Skills Development Agency		123	73.9	74.9
Teaching & Schools		**1,688**	**1,013.6**	**1,055.1**
British Educational Communications and Technology Agency		262	30.3	33.7
General Teaching Council for England		201	0.6	18.6
National College for School Leadership		235	91.8	90.6
Partnerships for Schools		90	10.2	13.2
Qualifications and Curriculum Authority		565	144.0	154.6
School Food Trust		27	7.0	7.1
School Teachers Review Body		~	~	~
Training and Development Agency for Schools		308	729.5	737.3
Non-Ministerial Department		**2,238**	**193.1**	**193.9**
Standards in Education, Office for (OFSTED)		2,238	193.1	193.9
Environment, Food and Rural Affairs	**107**	**29,842**	**3,337.5**	**5,909.5**
Agriculture		**2,389**	**109.5**	**201.8**
Organic Standards, Advisory Committee on		~	~	~
Packaging, Advisory Committee on		~	~	~
Pesticides, Advisory Committee on		~	~	~
Releases into the Environment, Advisory Committee on		~	~	~
Agricultural Dwelling House Advisory Committees (x18)		~	~	~
Agricultural Land Tribunals		~	~	~
Agricultural Wages Board		~	~	~
Agricultural Wages Committee for England (x15)		~	~	~
Animal Health and Welfare Strategy England Implementation Group *		5	0.3	~
British Potato Council		49	0.0	6.5
British Wool Marketing Board		236	0.0	10.8
Agricultural Valuation, Committee on (dormant)		n/a	~	~
Dairy Produce Quota Tribunal (dormant)		n/a	~	~
English Farming and Food Partnership		22	1.1	1.7
Farm Animal Welfare Council		~	0.4	0.4
Home Grown Cereals Authority		70	0.8	11.2
Horticultural Development Council		16	0.0	6.3
Independent Agricultural Appeals Panel *		2	0.1	~
Cattle TB, Independent Scientific Group on		~	~	~

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Meat and Livestock Commission		359	2.2	37.4
Milk Development Council		50	~	7.5
National Fallen Stock Company		~	~	~
National Non-Food Crops Centre		~	~	1.4
Plant Varieties and Seeds Tribunal		~	~	~
Veterinary Products Committee *		1	~	~
Veterinary Residues Committee		~	~	~
State Veterinary Agency		1,427	96.4	109.7
Veterinary Medicines Directorate		152	8.2	8.8
Environment		**20,429**	**1,079.9**	**2,149.6**
Hazardous Substances, Advisory Committee on		~	~	~
Air Quality Expert Group		~	~	~
British Waterways		1,963	57.1	189.3
Broads Authority		~	3.8	4.7
Carbon Trust		127	85.6	87.2
Products and Processes for Use in Public Water Supply, Committee on *		2	0.2	~
Radioactive Waste Management, Committee on *		5	0.0	~
Darwin Advisory Committee *		1	0.0	~
Energy Savings Trust		142	43.2	74.5
Environment Agency		13,114	603.6	1,064.6
Environmental Campaigns		136	5.2	9.7
Envirowise		~	~	~
Air Quality Standards, Expert Group on *		1	0.0	~
Inland Waterways Advisory Council		~	~	232.9
Joint Nature Conservation Committee		123	6.8	9.0
National Forest Company		26	3.4	4.5
Natural England		2,323	204.4	233.2
Pesticides Residues Committee *		1	0.1	~
Royal Botanic Gardens, Kew		717	25.2	41.6
Spongiform Encephalopathy Advisory Committee *		7	0.2	~
Waste and Resource Action Program		216	~	73.8
Zoos Forum *		2	0.1	~
Centre for Environment, Fisheries and Aquaculture Science		533	38.9	41.3
Government Decontamination Service		24	2.0	2.2
Marine and Fisheries Agency		156	~	22.9
Pesticides Safety Directorate		810	~	58.2
Food		**190**	**6.0**	**33.4**
Covent Garden Marketing Authority		46	~	12.8
Food from Britain		40	6.0	8.8
Sea Fish Industry Authority		104	0.0	11.7
National Parks		**0**	**32.1**	**58.4**
Dartmoor NPA		~	3.2	5.5
Exmoor NPA		~	3.5	5.3
Lake District NPA		~	4.5	10.4
New Forest NPA		~	4.0	3.9
North York Moors NPA		~	4.9	7.3
Northumberland NPA		~	2.9	4.3
Peak District NPA		~	4.3	14.3
Yorkshire Dales NPA		~	4.8	7.4
Research		**1,917**	**33.9**	**155.4**
Science Advisory Council *		4	0.3	~
Central Science Laboratory		680	33.7	44.5
Veterinary Laboratories Agency		1,233	0.0	110.9
Rural Affairs		**4,648**	**2,068.7**	**3,293.6**
Commission for Rural Communities		84	8.6	9.3
Commons Commissioners *		1	0.0	~
Gangmasters Licensing Authority		44	2.2	2.9

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Sustainable Development Commission		52	2.9	3.8
Rural Payments Agency		4,467	2,055.0	3,277.6
Water Supply		**81**	**7.0**	**5.8**
Water, Consumer Council for		81	7.0	5.8
Cryptosporidium in Water Supplies, Expert Group on		~	~	~
Non-Ministerial Department		**188**	**0.3**	**11.5**
Water Service, Office of		188	0.3	11.5
Export Credit Guarantee	**1**	**0**	**0.0**	**0.0**
Export Guarantees Advisory Council		~	~	~
Food Standards Agency	**6**	**1,478**	**33.0**	**91.3**
Animal Feedstuffs, Advisory Committee on		0	0.0	0.0
Novel Foods and Processes, Advisory Committee on		0	0.0	0.0
Research, Advisory Committee on		0	0.0	0.0
Microbiological Safety of Food, Advisory Committee on		0	0.0	0.0
Toxicity of Chemicals in Food, Consumer Products and the Environment, Committee on		~	~	~
Meat Hygiene Service		1,478	33.0	91.3
Foreign and Commonwealth Office	**12**	**10,972**	**467.3**	**930.4**
Diplomatic		**0**	**0.0**	**0.0**
Government Hospitality Advisory Committee for the Purchase of Wine		0	0.0	0.0
Education		**9,778**	**441.7**	**797.1**
BBC World		1,736	239.5	230.9
British Association for Central and Eastern Europe *		5	0.3	0.5
British Council		7,925	195.3	549.7
Great Britain-China Centre		7	0.3	1.0
Marshall Aid Commemoration Commission		3	2.3	2.3
Westminster Foundation for Democracy		13	4.1	4.3
Wilton Park Academic Council		24	0.0	0.0
Wilton Park		65	0.0	8.4
Foreign Office Personnel		**1,194**	**25.5**	**133.3**
Diplomatic Service Appeal Board		8	0.0	0.0
Foreign Compensation Commission		3	0.0	0.0
FCO Service		1,183	25.5	133.2
Forestry Commission (Great Britain/ England)	**3**	**1,255**	**23.1**	**52.4**
Regional Advisory Committees England (x9)		~	~	~
Forest Research		290	0.0	15.1
Forest Enterprise		965	23.1	37.3
Health	**59**	**20,050**	**818.6**	**3,488.2**
Audit		**917**	**81.1**	**89.8**
Healthcare Commission (Commission for Healthcare Audit and Inspection)		889	68.8	75.4
Independent Regulator of NHS Foundation Trusts		28	12.3	14.4
Equipment, Medicines & Resources		**7,503**	**111.1**	**575.9**
National Institute for Health and Clinical Excellence (NICE)		230	29.1	28.7
NHS Blood and Transplant Authority		6,110	43.4	438.6

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Medicines and Healthcare Products Regulatory Authority		831	11.0	80.2
NHS Purchasing and Supply Agency		332	27.7	28.5
Plasma Resources UK Ltd		0	0.0	0.0
Expert Advice		**440**	**14.8**	**36.8**
Administration of Radioactive Substances Advisory Committee		0	~	~
Registration of Homoeopathic Medicines, Advisory Board on		0	~	~
Borderline Substances, Advisory Committee on		0	~	~
Clinical Excellence Awards, Advisory Committee on		0	~	~
Dangerous Pathogens, Advisory Committee on		0	~	~
Hepatitis, Advisory Group on		0	~	~
British Pharmacopoeia Commission		0	~	~
Human Medicines, Commission on		0	~	~
Carcinogenicity of Chemicals in Food, Consumer Products and the Environment, Committee on		0	~	
Medical Aspects of Radiation in the Environment, Committee on		0	~	~
Mutagenicity of Chemicals in Food, Consumer Products and the Environment, Committee on		0	~	~
Medical Effects of Air Pollutants, Committee on		0	~	~
Safety of Devices, Committee on the		0	~	~
Aids, Expert Advisory Group on		0	~	~
Gene Therapy Advisory Committee		0	~	~
Genetics and Insurance Committee		0	~	~
Herbal Medicines Advisory Committee		0	~	~
Human Genetics Commission		0	~	~
Sexual Health and HIV, Independent Advisory Group on		0	~	~
Independent Reconfiguration Panel		0	~	~
Borderline Products, Independent Review Panel for		0	~	~
Advertising of Medicines, Independent Review Panel for the		0	~	~
Vaccination and Immunisation, Joint Committee on		0	~	~
National Joint Registry Steering Committee		0	~	~
Nutrition, Scientific Advisory Committee on		0	~	~
Antimicrobial Resistance, Specialist Advisory Committee on		0	~	~
Standing Dental Advisory Committee		0	~	~
Alcohol Education and Research Council		3	~	0.7
Human Fertilisation & Embryology Authority		82	1.8	7.1
Human Tissue Authority		42	0.9	2.8
National Biological Board		313	12.0	26.1
NHS Personnel		**1,009**	**23.4**	**1,462.8**
Doctors and Dentists Review Body		0	0.0	0.0
Nurses and Other Health Professions Review Body		0	0.0	0.0
Pharmacy Postgraduate Education, Steering Committee on		0	0.0	0.0
Appointments Commission		42	4.7	6.5
Postgraduate Medical Education and Training Board		51	2.9	3.9

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
NHS Litigation Authority		176	2.5	1,197.9
NHS Professionals		740	13.3	254.5
Patient Welfare		**7,056**	**376.2**	**655.1**
Patient Information Advisory Group		0	0.0	0.0
Patient and Public Involvement in Health, Commission for		114	28.0	28.3
Social Care Inspection, Commission for		2,335	79.7	164.4
Healthcare Regulatory Excellence, Council for		12	2.0	2.3
General Social Care Council		301	10.1	89.9
Health Protection Agency		3,248	143.5	252.7
Health and Social Care Information Centre		354	36.9	40.9
Mental Health Act Commission		42	5.0	5.8
National Patient Safety Agency		299	30.6	32.5
The Information Centre		351	40.4	38.3
Other		**3,125**	**212.0**	**667.8**
National Treatment Agency for Substance Misuse		166	10.4	13.7
NHS Business Services Authority		2,722	124.9	598.1
NHS Institute for Innovation and Improvement		175	69.0	56.0
Social Care Institute for Excellence		62	7.7	0.0
NHS Trusts—figures not in totals	**418**	**1,540,000**	**95,100.0**	~
NHS Direct		~	~	~
Primary Care Trusts (x302)		~	~	~
Strategic Health Authorities (x10)		~	~	~
Acute Trusts (75)		~	~	~
Foundation Trusts (x92)		~	~	~
Ambulance Trusts (x13)		~	~	~
Care Trusts (around 10)		~	~	~
Mental Health Trusts		~	~	~
HM Revenue and Customs	**1**	**4,428**	**0.0**	**201.3**
Valuation Office		4,428	~	201.3
Home Office	**33**	**59,409**	**3,538.0**	**3,994.1**
Crime		**7,877**	**679.4**	**902.6**
Misuse of Drugs, Advisory Council on		0	0.2	0.0
Victims Advisory Panel		~	~	~
Criminal Cases Review Commission		94	6.7	7.4
Criminal Injuries Compensation Authority		471	221.0	156.5
Serious Organised Crime Agency		4,285	423.4	432.7
Forensic Science Service Ltd		2,431	2.4	211.8
Criminal Injuries Compensation Appeals Panel (Part of the Tribunal Service)		~	~	~
Asset Recovery Agency		219	16.0	15.1
Criminal Records Bureau		377	9.8	79.0
Immigration		**3,684**	**94.1**	**340.5**
Naturalisation and Integration, Advisory Board on		0	~	0.0
Immigration and Nationality Directorate Complaints Audit Committee		~	~	~
Immigration Services Commissioner, Office of the		65	4.3	4.4
Asylum Support Adjudicators		~	~	~
Identity and Passport Service		3,619	89.8	336.2
Police		**415**	**30.6**	**34.5**
Police Advisory Board for England and Wales		~	~	~
Police Negotiating Board		~	~	~
Independent Police Complaints Commission		415	30.6	34.5
Police Appeals Tribunals		0	0.0	0.0
Police Arbitration Tribunal		~	~	~

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Prisons		**47,337**	**2,729.9**	**2,690.3**
Correctional Services Accreditation Panel		~	0.1	0.1
Prison Service Pay Review Body		~	~	~
Sentencing Advisory Panel		0	0.0	0.0
Sentencing Guidelines Council		12	1.0	1.0
Parole Board		83	6.6	8.6
Youth Justice Board for England and Wales		232	439.5	445.4
Independent Monitoring Boards of Prisons, Immigration Removal Centres and Immigration Holding Rooms (x145)		0	0.0	0.0
HM Prison Service		47,010	2,282.7	2,235.3
Surveillance		**0**	**0.0**	**1.6**
Technical Advisory Board		0	0.0	0.0
Surveillance Commissioners, Office of		~	~	1.6
Other		**96**	**4.1**	**24.5**
Animal Procedures Committee		0	~	0.0
Country Information, Advisory Panel on		0	0.1	0.0
Security Industry Authority		92	4.0	24.4
Investigatory Powers Tribunal		4	~	0.1
International Development	**4**	**6,785**	**15.8**	**137.5**
Education		~	**15.8**	~
Advisory Commonwealth Scholarship Commission in the UK		~	~	~
Commonwealth Scholarship Commission in the UK		~	15.8	~
Other		**6,785**	**0.0**	**137.5**
Crown Agents Holding and Realisation Board		~	0.0	~
CDC Group		6,785	0.0	137.5
Northern Ireland Court Service	**12**	**16**	**1.0**	**1.0**
Northern Ireland Judicial Appointments Commission *		16	1.0	1.0
Northern Ireland Legal Services Commission		~	~	~
Advisory Committees on General Commissioners of Income Tax (x2)		0	0.0	0.0
Advisory Committees on Justices of the Peace (x8)		0	0.0	0.0
Northern Ireland Office	**21**	**3,586**	**242.9**	**245.6**
Community Relations		**248**	**54.4**	**38.9**
Equality Commission for Northern Ireland		130	7.1	7.1
Human Rights Commission, Northern Ireland		19	1.5	1.4
Parades Commission for Northern Ireland		11	1.3	1.7
Compensation Agency for Northern Ireland		88	44.5	28.6
Electoral		**3**	**0.2**	**0.2**
Boundary Commission for Northern Ireland		3	0.2	0.2
Legal		**422**	**21.0**	**26.3**
Criminal Justice in Northern Ireland, Office of Chief Inspector of		14	1.2	1.2
Criminal Injuries Compensation Appeals Panel for Northern Ireland		9	0.6	0.7
Youth Justice Agency, Northern Ireland		399	19.3	24.3
Police		**396**	**20.6**	**26.1**
Police Service Recruitment Vetting, Independent Assessor for		~	~	~
Police Oversight Commissioner, Office of		~	~	~
Police Fund, Northern Ireland		~	1.8	~
Policing Board, Northern Ireland		62	7.9	8.0

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Royal Ulster Constabulary George Cross Foundation *		2	0.2	0.2
Police Ombudsman for Northern Ireland, Office of the		140	8.7	8.5
Forensic Science Agency, Northern Ireland		192	2.1	9.4
Prisons		**2,517**	**146.7**	**154.3**
Probation Board for Northern Ireland		366	15.2	17.7
Independent Monitoring Board (x3)		~	~	~
Prison Service, Northern Ireland		2,151	131.5	136.6
Security		**0**	**0.0**	**0.0**
Military Complaints Procedures, Independent Assessor for		~	~	~
Prime Minister's Office		**380**	**2.2**	**38.7**
Crown Estate		380	2.2	38.7
Trade and Industry	**68**	**244,365**	**6,161.8**	**23,033.3**
Business & Industry		**207,683**	**110.8**	**9,278.0**
British Hallmarking Council		1	0.0	0.1
British Shipbuilders		0	0.0	9.5
Competition Appeal Tribunal		~	~	0.8
Competition Commission		151	17.2	21.6
Competition Service		17	4.0	3.6
Copyright Tribunal		~	~	~
Design Council		76	6.0	8.3
Ethnic Minority Business Forum		1	~	~
Insolvency Practitioners' Tribunal		0	0.0	0.0
Communications, Office of (OFCOM)		789	82.7	125.2
Royal Mail		204,438	0.0	8,985.0
SITPRO (Simplifying International Trade)		8	0.9	1.0
Small Business Council		1	0.0	0.0
Small Business Investment Taskforce		1	0.0	0.0
Companies House		1,247	0.0	69.5
UK Intellectual Property Office		953	~	53.4
Consumer Protection		**389**	**28.2**	**28.2**
Consumer Council for Postal Services (Postwatch)		94	9.7	9.2
Fuel Poverty Advisory Group		1	0.0	0.0
Gas and Electricity Consumer Council (Energywatch)		220	15.0	11.8
Hearing Aid Council		5	0.0	1.1
National Consumer Council		69	3.5	6.2
Persons Hearing Consumer Credit Licensing Appeals		0	0.0	0.0
Employment		**799**	**50.0**	**52.3**
Advisory, Conciliation and Arbitration Service		789	48.3	50.7
Central Arbitration Committee		0	0.7	0.7
Low Pay Commission		9	0.9	0.9
Union Modernisation Fund Supervisory Board		1	0.0	0.0
Energy		**21,763**	**1,460.1**	**8,499.2**
Carbon Abatement Technologies, Advisory Committee on		1	0.0	0.0
British Nuclear Fuels PLC		17,859	0.0	797.0
Civil Nuclear Police Authority		808	6.9	44.2
Coal Authority		161	12.0	39.6
Nuclear Decommissioning Authority		705	1,108.0	7,249.0
Nuclear Liabilities Fund		~	~	~
Renewables Advisory Board		~	~	~

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Sustainable Energy Policy Advisory Board		1	0.0	0.0
UK Atomic Energy Authority		2,228	333.2	369.3
Regional Development		**2,749**	**1,707.2**	**2,114.1**
Advantage West Midlands		327	211.7	284.9
East Midlands Development Agency		247	160.9	188.2
East of England Development Agency		223	136.8	149.0
Industrial Development Advisory Board		3	0.0	0.0
North West Development Agency		402	369.0	462.5
ONE North East		446	246.0	306.0
Regional Industrial Development Boards (x7)		~	~	~
South East England Development Agency		370	136.9	195.4
South West England Development Agency		303	159.9	188.6
Yorkshire Forward		428	286.0	339.5
Research		**9,860**	**2,630.4**	**2,839.7**
Arts and Humanities Research Council		102	98.9	98.6
Biotechnology and Biological Sciences Research Council		291	377.1	398.1
Council for Central Laboratory of Research Councils		1,742	208.2	215.1
Council for Science and Technology		~	~	~
Economic and Social Research Council		122	140.5	160.1
Engineering and Physical Sciences Research Council		344	637.1	659.2
Medical Research Council		4,234	503.5	597.7
Natural Environment Research Council		2,689	340.6	373.3
Particle Physics and Astronomy Research Council		335	324.5	337.6
Technology Strategy Board		1	0.0	0.0
Other		**47**	**0.0**	**3.6**
UK Chemical Weapons Convention National Authority Advisory Committee		1	0.0	0.0
National Weights and Measures Laboratory		46	0.0	3.6
Non-Ministerial Departments		**1,075**	**175.2**	**218.1**
Fair Trading, Office of (OFT)		683	73.9	74.5
Gas and Electricity Markets, Office of (OFGEM)		306	6.0	39.1
Postal Services Commission (POSTCOM)		61	0.0	8.8
UK Trade and Investment		25	95.3	95.8
Transport	**26**	**22,030**	**2,303.8**	**6,502.2**
Aviation		**959**	**0.0**	**174.8**
Civil Aviation Authority		959	0.0	174.8
Passengers		**43**	**5.3**	**5.3**
Disabled Persons Transport Advisory Committee		~	~	~
Passenger Focus		43	5.3	5.3
Rail		**28**	**0.1**	**31.3**
BRB (Residuary) Ltd		27	0.0	31.2
Rail Heritage Committee		1	0.1	0.1
Road		**3,507**	**2,264.6**	**5,166.3**
Standing Advisory Committee for Trunk Road Assessment		~	~	~
Traffic Commissioners (x8)		~	~	~
Highways Agency		3,507	2,264.6	5,166.3
Sea		**1,782**	**0.0**	**46.7**
Northern Lighthouse Board		272	0.0	18.7
Trinity House Lighthouse Service		331	0.0	28.0
Maritime and Coastguard Agency		1,179	~	~

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Vehicle		**12,162**	**30.9**	**851.1**
Driver and Vehicle Licensing Agency (DVLA)		6,487	30.9	488.0
Driving Standards Agency (DSA)		2,653	~	149.5
Government Car and Dispatch Agency		307	0.0	18.9
Vehicle and Operator Services Agency (VOSA)		2,578	~	184.9
Vehicle Certification Agency (VCA)		137	~	9.9
Other		**3,170**	**2.9**	**197.6**
British Transport Police Authority		3,170	1.1	195.9
Integrated Transport, Commission for		~	1.8	1.7
Non-Ministerial Department		**379**	**0.0**	**29.2**
Rail Regulation, Office of		379	0.0	29.2
Treasury	**9**	**8,222**	**317.6**	**920.5**
Economic Regulation		**2,887**	**166.6**	**490.5**
National Savings and Investments		143	157.6	180.4
Financial Services Authority		2,659	~	295.8
UK Debt Management Office		85	9.0	14.3
Other		**5,335**	**151.0**	**430.0**
OGCBuying Solutions		290	0.0	65.8
Statistics Commission		11	1.4	1.4
Office for National Statistics		4,173	149.6	244.2
Royal Mint		861	0.0	118.6
Non-Ministerial Department		**0**	**0.0**	**0.0**
Reduction of the National Debt, Commission for the		~	~	~
Public Works Loan Board		~	~	~
Work and Pensions	**23**	**115,453**	**4,817.1**	**7,304.6**
Disability		**7,585**	**371.5**	**517.1**
Disability Employment Advisory Committee		3	0.1	~
Disability Living Allowance Advisory Board		3	~	~
Disability Rights Commission		209	21.0	21.7
Equality 2025		4	0.4	0.0
Independent Living Funds		145	216.2	199.7
Remploy Ltd		7,221	133.8	295.8
Employment		**70,111**	**3,361.5**	**4,627.8**
National Employment Panel		33	2.1	~
National Employment Panel Ltd		36	2.7	1.7
JobCentre Plus		70,042	3,356.7	4,626.1
Pensions		**13,864**	**183.1**	**842.7**
Pension Protection Fund		99	10.0	13.2
Pension Protection Fund Ombudsman		7	~	~
Pensions Ombudsman		37	~	2.1
The Pensions Regulator		325	34.4	31.9
The Pensions Advisory Service		34	2.7	2.7
Pension Service		13,362	135.9	792.8
Welfare		**20,196**	**668.5**	**1,023.2**
Social Security Advisory Committee		5	0.4	0.0
Child Support Agency		11,040	400.4	522.9
Disability and Carers Service		6,318	216.5	306.9
Insolvency Service		2,146	46.6	157.6
Rent Service		687	4.5	35.8
Workplace		**3,697**	**232.6**	**293.8**
Health and Safety Commission		16	0.9	0.9

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Health and Safety Executive		3,675	231.6	292.9
Industrial Injuries Advisory Council		6	0.1	0.0
Scottish Executive	**148**	**40,169**	**6,685.0**	**8,434.9**
Adult and Child Welfare		**1,200**	**57.8**	**72.5**
Social Services Council, Scottish		84	8.5	11.4
Scottish Children's Reporter Administration		471	25.3	23.0
Regulation of Care, Commission for the (Care Commission)		583	17.4	30.7
Additional Support Needs Tribunal for Scotland		6	~	0.5
Children's Panel (x32)		~	1.7	1.7
Private Rented Housing Services		3	0.3	0.3
Mental Health Tribunal for Scotland		~	~	~
Social Work Inspection Agency		53	3.4	3.8
Children and Young People in Scotland, Commissioner for		~	1.2	1.2
Public Services Ombudsman, Scottish		~	~	~
Agriculture		**217**	**3.5**	**21.1**
Crofters Commission		28	3.5	3.6
Agricultural Wages Board, Scottish		0	0.0	0.0
Agricultural Science Agency, Scottish		170	~	11.1
Quality Meat Scotland		19	0.0	6.4
Art		**97**	**62.5**	**57.4**
Scottish Arts Council		97	62.5	57.4
Building		**71**	**4.3**	**4.5**
Building Standards Advisory Committee		30	1.7	1.8
Architecture and Design Scotland		11	0.9	0.9
Building Standards Agency, Scottish		30	1.7	1.8
Business & Industry		**5,414**	**606.2**	**782.2**
Highlands and Islands Enterprise		564	100.4	113.1
Scottish Enterprise		2,720	426.9	513.9
Caledonian Maritime Assets Ltd		626	3.3	45.6
David MacBrayne Limited		1,200	51.7	83.4
Highlands and Islands Airports Ltd		304	23.9	26.3
Community Development		**450**	**867.1**	**947.3**
Bord na Gaidhling		10	4.4	4.5
Communities Scotland		440	862.6	942.8
Disability		**2**	**0.2**	**0.2**
Mobility and Access Committee for Scotland		2	0.2	0.2
Energy		**0**	**0.0**	**0.0**
Fisheries (Electricity) Committee		~	~	~
Environment		**1,205**	**35.3**	**65.8**
Deer Commission for Scotland		27	1.7	1.7
Environment Protection Agency		1,178	33.6	64.1
Sustainable Development Commission		n/a	~	~
Financial		**547**	**22.5**	**62.3**
Accounts Commission for Scotland		279	6.1	24.9
Risk Management Authority		18	1.2	0.9
Accountant in Bankruptcy		127	7.1	11.5
Public Audit, Scottish Commission for		n/a	~	~
Audit Scotland		123	8.1	24.9
Fire		~	~	~
HM Fire Service Inspectorate for Scotland		~	~	~

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Fisheries		**628**	**45.1**	**46.6**
Fisheries Research Services		321	21.2	25.5
Fisheries Protection Agency, Scottish		307	23.9	21.1
Higher Education		**365**	**1,721.3**	**1,795.2**
Further and Higher Education Funding Council		129	1,714.2	1,786.4
University for Industry, Scotland		81	~	~
Student Awards Agency for Scotland		155	7.1	8.8
Historic Sites, Buildings & Estates		**2,037**	**142.8**	**153.2**
Historic Environment Advisory Council for Scotland		~	0.1	0.1
Natural Heritage, Scottish		725	86.6	70.6
Royal Commission on Ancient and Historical Monuments of Scotland		99	3.9	4.8
Royal Botanic Garden, Edinburgh		222	10.6	10.6
Historic Scotland		991	41.6	67.1
Information, Records & Archives		**1,508**	**18.5**	**84.4**
Records Advisory Council		n/a	~	~
National Archives of Scotland		168	11.6	10.6
General Register Office for Scotland		257	6.8	12.8
Registers of Scotland		1,058	0.0	59.4
Parliamentary Standards Commissioner		1	0.1	0.1
Information Commissioner, Scottish		24	~	1.4
Court of Lord Lyon		~	~	~
Office of the Queens Printer for Scotland		~	~	~
Legal		**2,723**	**210.0**	**252.9**
Justices of the Peace Advisory Committee (x32)		0	0.0	0.0
Law Commission, Scottish		21	1.5	1.5
Criminal Cases Review Commission		14	1.3	1.2
Legal Aid Board		306	149.0	172.2
Lands Tribunal for Scotland		3	1.6	0.4
Parole Board for Scotland		0	1.1	1.0
Charity Appeals Panel, Scottish		3	0.2	~
Mental Health Tribunal for Scotland		0	0.0	0.0
Courts Service, Scottish		1,143	52.5	73.4
Charity Regulator, Office of the		1,226	2.4	2.8
Legal Services Ombudsman		7	0.4	0.4
Inspectorate of Prosecution		~	~	~
Libraries		**284**	**14.8**	**15.4**
National Library of Scotland		284	14.8	15.4
Local Government		4	0.4	0.4
Local Authorities Remuneration Committee		~	~	~
Local Government Boundary Commission for Scotland		4	0.4	0.4
Media		**46**	**3.0**	**4.4**
Scottish Screen		46	3.0	4.4
Museums & Galleries		**718**	**34.9**	**43.4**
National Museums of Scotland		432	23.7	27.6
National Galleries of Scotland		286	11.2	15.8
National Parks		**74**	**4.4**	**5.4**
Cairngorms National Park Authority		74	4.4	5.4
Loch Lomond and the Trossachs National Park Authority		~	~	~
NHS in Scotland		**11,267**	**988.7**	**1,084.0**
Distinction Awards, Advisory Committee on		~	~	~
Scottish Ambulance Service Board		3,973	169.5	174.8

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
National Waiting Times Centre Board		750	38.3	54.8
NHS 24		1,351	56.8	55.1
NHS Boards (14)		~	~	~
NHS Education Scotland		623	356.4	345.9
NHS Health Scotland		~	22.6	22.4
NHS Quality Improvement Scotland		224	15.0	15.0
NHS National Services Scotland (formerly Common Services Agency)		3,582	292.0	377.5
Mental Welfare Commission for Scotland		64	4.0	3.8
State Hospitals Board for Scotland		700	34.1	34.7
Passengers		**2**	**0.2**	**0.1**
Public Transport Users Committee for Scotland		2	0.2	0.1
Pensions		**213**	**9.1**	**8.8**
Public Pensions Agency, Scottish		213	9.1	8.8
Personnel		**5**	**0.4**	**0.4**
Public Appointments in Scotland, Commissioner for		5	0.4	0.4
Standards Commission for Scotland		~	~	~
Police		**278**	**36.3**	**36.7**
Police Complaints Commissioner for Scotland		4	0.0	~
Police College, Scottish		~	14.5	14.9
Crime and Drug Enforcement Agency, Scottish		274	21.7	21.7
HM Inspectorate of Constabulary		~	~	~
Prisons		**4,145**	**293.4**	**265.1**
Prison Service, Scottish		4,137	292.9	264.8
Prison Complaints Commissioner		3	0.1	~
HM Prisons Inspectorate		5	0.4	0.4
Visiting Committees for Scottish Penal Complaints		~	~	~
Regional Development		~	~	~
Industrial Development Advisory Board		~	~	~
Research		**770**	**20.7**	**43.8**
Advisory Committee on Sites of Special Scientific Interest		0	0.0	0.0
Macaulay Institute		~	~	~
Moredun Research Institute		~	~	~
Rowett Research Institute		~	~	~
Agricultural College, Scottish		770	20.7	43.8
Crop Research Institute, Scottish		~	~	~
Sport		~	**29.7**	~
sportscotland		~	29.7	~
Institute of Sport, Scottish		n/a	~	~
Teaching & Schools		**1,198**	**37.2**	**105.0**
General Teaching Council for Scotland		51	0.0	3.6
Learning and Teaching Scotland		180	5.5	22.1
Qualifications Authority, Scottish		762	18.3	64.2
HM Inspectorate of Education		205	13.4	15.1
Tourism		**798**	**45.2**	**66.6**
VisitScotland		798	45.2	66.6
Transport		**270**	**1,366.5**	**1,756.9**
Transport Scotland		270	1,366.5	1,756.9
Roadworks Commissioner, Scottish		~	~	~
Water		**3,633**	**2.8**	**653.3**
Water Industry Commission for Scotland		18	2.8	5.0

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Scottish Water		3,587	~	647.6
Drinking Water Quality Regulator		n/a	~	~
Waterwatch Scotland		28	0.0	0.7
Northern Ireland Executive	**11**	**1,357**	**8.2**	**36.1**
Building		**0**	**0.0**	**0.0**
Building Regulations Advisory Committee		0	0.0	0.0
Community Development		**49**	**1.1**	**1.1**
North South Body—Special EU Programmes Body		49	1.1	1.1
Financial		**672**	**0.0**	**28.3**
Valuation and Lands Agency		348	~	15.5
Rates Collection Agency		324	~	12.8
Information, Records & Archives		**396**	**7.1**	**6.7**
Statistics Advisory Committee		1	0.0	0.0
Northern Ireland Statistics and Research Agency		395	7.1	6.7
Legal		**239**	**0.0**	**0.0**
Law Reform Advisory Committee		1	0.0	0.0
Land Registers of Northern Ireland		238	~	~
Personnel		**1**	**0.0**	**0.0**
Civil Service Appeal Board		1	0.0	0.0
Welsh Assembly	**38**	**3,241**	**1,154.3**	**1,234.9**
Adult and Child Welfare		**58**	**8.7**	**9.2**
Care Council for Wales		58	8.7	9.2
Art		**99**	**27.3**	**40.1**
Arts Council of Wales		99	27.3	40.1
Community Development		**76**	**13.3**	**13.6**
Welsh Language Board		76	13.3	13.6
Environment		**1,166**	**48.6**	**79.6**
Environment Agency Wales		1,166	48.6	79.6
Financial		**72**	**3.6**	**10.5**
Finance Wales		72	3.6	10.5
Health		**40**	**511.2**	**518.1**
Wales Centre for Health		19	1.3	2.1
Advisory Panel on Substance Misuse		0	0.0	0.0
All Wales Medicines Strategy Group		0	0.0	0.3
Welsh Committee for the Professional Development of Pharmacists		0	0.0	0.0
Dental Committee, Welsh		0	0.0	0.1
Medical Committee, Welsh		~	~	~
Nursing and Midwifery Advisory Committee, Welsh		~	~	~
Optometric Committee, Welsh		~	~	~
Pharmaceutical Committee, Welsh		~	~	~
Scientific Advisory Committee, Welsh		~	~	~
Therapies Advisory Committee, Welsh		~	~	~
Mental Health Review Tribunal		~	~	1.2
Health Commission Wales (Specialist Services)		21	509.9	514.3
Higher Education		**52**	**433.5**	**449.0**
Higher Education Funding Council for Wales		52	433.5	449.0
Historic Sites, Buildings & Estates		**35**	**1.9**	**1.8**

"~" = data not available	*Bodies*	*Staff*	*Funding £ million*	*Expenditure £ million*
Royal Commission for the Ancient and Historic Monuments of Wales		35	1.9	1.8
Legal		**19**	**1.1**	**1.1**
Registered Inspectors Appeals Tribunal (Wales)		0	0.0	0.0
Residential Property Tribunal		0	0.0	0.1
Valuation Tribunals (Wales) (x6)		19	1.1	1.0
Libraries		**282**	**11.8**	**12.2**
National Library of Wales		282	11.8	12.2
Local Government		**5**	**0.4**	**0.3**
Local Government Boundary Commission		5	0.4	0.3
Museums & Galleries		**627**	**24.9**	**26.7**
National Museum of Wales		627	24.9	26.7
Regional Development		**0**	**0.0**	**0.0**
Industrial Development Advisory Board, Welsh		0	0.0	0.0
Rural Affairs		**501**	**44.7**	**47.4**
Countryside Council for Wales		501	44.7	47.4
Agricultural Dwelling House Advisory Committee (x6) (Dormant)		0	0.0	0.0
Agricultural Wages Committee (x6) (Dormant)		0	0.0	0.0
Independent Appeal Panel for Farmers		0	0.0	0.0
Agricultural Land Tribunal		0	0.0	0.0
Sport		**209**	**23.4**	**25.3**
Sports Council for Wales		209	23.4	25.3
Total UK subsidiary bodies *(excluding local authorities and NHS trusts and boards)*	**1,162**	**714,430**	**63,518.8**	**101,756.4**

June 2008

Memorandum from Peter Tomlinson

SUMMARY

The author argues first that the move, over the last 30 years, to implement more and more public sector administrative processes in computer software, processes that provide services to citizens and businesses, has not been accompanied by:

- a matching acquisition by the public sector of the necessary management skills at all levels;
- suitable new methods to handle exception cases where citizens or businesses do not fit the straitjacket of common national and local government computer-driven processes; and
- general adoption by public administrators of the Information Assurance policies that other parts of government develop and that private sector businesses largely adopt.

Secondly, we have recently also experienced the growth of the Information Society. One feature of that is that more and more information about the performance of the public sector, past and present, is becoming available to the general public. Another feature is that Information Systems methods have developed apace, enabling the growth of global businesses and fuelling the development of a generation of young people who have global reach. The UK public sector has lagged behind not just in facing up to the consequences of these developments but also in making use of them.

The author recommends that a programme of "Administrative Process Re-engineering" be set in motion, to adapt the UK's public sector to the changes in society as well as in administrative methods. Included should be mentoring relevant current civil service personnel, right up to Permanent Secretary level, with people who understand service management where a major carrier of service delivery is ICT (Information and Communications Technology), people who can participate in determining the organisational and

technological implications of policy proposals and decisions, and people who know how to face the challenges of the Information Society. Accompanying that must be changes to appointment processes, and retraining must be provided for many levels of staff. Such a programme will be self-financing as it progressively eliminates the massive waste on failed projects, and will contribute to once again making the UK civil service a well respected organisation.

The discussion below is based on the author's experience, including learning from a relative who worked for the Ministry of Food and then MAFF until retirement at about the time that the UK entered the EEC.

Markets

We hear a lot about markets being relevant to public administration and its service delivery. Markets work best when both the supplier community and the customer base are very diverse: many different customers wanting many different things and services, and many suppliers offering a wide variety of goods, of service styles associated with supplying those goods, and of services in themselves. The age-old weekly market in the market town is an excellent example, with its ranks of visiting traders to whom the resident local traders are a foil, and where challenging the traders is a wide spectrum of purchasers, local and visiting. Also an excellent example is today's massive shopping mall as long as there are also a variety of other shops (with a lower cost base) nearby—customers come from near and far, by public transport as well as by car, bicycle and on foot. Today's newish example is the competition for the same customers between on the one hand high street and shopping mall physical stores and on the other hand internet-based retailers.

Public Administration

Public administration isn't like those markets, and should not be expected to be so. For each service provided directly by the public sector in each place there is one supplier, to which the huge variety of the population must relate—and public services here include those many activities that the citizen and businesses avail themselves of only when they need or want them, those activities (such as tax collection) that we citizens have to relate to, and those activities (such as, for example, flood prevention and the Horticultural Marketing Inspectorate) that support and maintain our way of life. Of course, at the margin there are always opportunities for public services to be privatised (and then, to make a market, there needs to be multiple suppliers of such a service available to each individual, suppliers who are able to differentiate significantly in their offerings—but that is not the main topic here).

Historical Perspective

Historically, much of UK public administration was local. It also was (and is) very largely delivered with great integrity. Administrators, working locally, tuned service delivery to the common needs of the local community and exercised discretion where people had needs that diverged from the median. People and businesses either accepted that or moved away—most simply accepted it. Mediating between public servants and the community were local politicians, many of whom were also either local businessmen or professional men. There was a common purpose, and a great deal of interchange between the three groups.

Sitting above the local administrators were regional and national administrators. They implemented policies by creating frameworks within which local administrators operated with discretion. Local administrators and politicians also created local policies and frameworks, governed by local bylaws. There were a number of national support networks by which civil servants interacted with their headquarters, both at a distance (post, parcel services, telephone, telegraph) and in person. At the peak of the pyramid was and is Parliament.

A major relevant characteristic of that historic structure of public administration was the delegation of implementation and operation to local officials who had discretion to vary service delivery, with a relatively light touch of management and regulation from the centre. The centre (civil service departmental headquarters) did not design the service in detail. Also the centre had no capacity for collating and processing high volumes of transaction data, and did not want to know about that level of detail. That same historic method was of course extended to running the Empire—so, in today's jargon, it was both scalable and, for a long time, sustainable.

The Introduction of IT and then ICT

From the mid 20th century the landscape changed. The Empire was wound down, and the introduction of Information Technology (IT) in the form of batch mode mainframe computers started to increase the ability of the centre to handle volumes of administrative information. To improve efficiency and the effectiveness of public sector decision making, more and more data began to be forwarded from the front line, and was then stored and processed centrally in Data Processing (DP) centres. The batch computer systems worked well for the public sector, as did equivalent systems in commercial organisations. Clerical work that had been done by many groups of people all over the country was replaced by a smaller number

of data entry teams, overall employing fewer people. But, as a result, more and more detail design work on administrative methods needed to be done centrally, so that all the data arrived at the DP centre in the same format and with the same meaning.

During that change of landscape, despite the changing emphasis, much of the civil service structure and methods did not change. Implementation was still very largely divorced from policy and rule making. To the higher levels of the civil service, nothing had changed—those running the DP Centres coped with explaining to local officials how to collect their data in common formats, and that was all that there was to it.

However, the change in the organisations continued at the lower levels, with more and more uniformity imposed on data structures. It still seemed to work quite well, and turned out to be reasonably well received by the population—there was, of course, always a local office that you could go to, where a civil servant with powers of discretion could agree matters with you before the data got into the machinery. DP was used only to collate data that came out of manual processes, processes that either were self-managed by the citizen and business person (and their advisers), perhaps assisted by local officials, or were directly applied by those officials. In Information and Communications Technology (ICT) terms, the processes of public administration that were important to the public were outside the ICT systems, and thus continued to be malleable at the local level, so long as the standard data formats were adhered to.

The Creeping Mechanisation of Administrative Processes

There were two big changes in the 1970s: we joined the Common Market, and multi-access computer systems spread all over the public sector. Both changes put pressure on public administration processes: it began to be necessary to determine more of them centrally and in detail. Government departments responded by expanding their in-house IT skills. Once again, the top levels of the civil service suffered little impact from the changes below them, setting out policy in some detail but remaining distant from implementation. Implementation of service delivery was still in the hands of lower levels, albeit the level at which design decisions associated with implementation were made was getting closer and closer to the top. And citizens still had local officials to talk to, albeit those officials were finding computer terminals arriving in their offices and later on their desks.

But it appears that the civil service did see problems coming, and the top levels did not want to be so near to hands-on responsibility for the quality of implementation and operation of the systems. The civil service ethos in administrative departments was not a technical one, so by 1970 they started to create government agencies to shoulder some of the increasing load. Sadly, those agencies tended to take on the characteristics of their parents rather than the characteristics of Best Practice service organisations—their senior managers often did not know how to manage a data processing organisation. DVLA, as it now is, is currently an excellent service organisation, so good that it serves more than one central government department. But, in its early incarnation as DVLC, it failed to implement best practice, and thus a great many errors crept in when data about vehicles and drivers was being transferred from paper records to computer punched cards, and getting the errors corrected became a nightmare. In at least one University course, the operation of DVLC became an example of how to get things wrong. Meanwhile, nearby European countries with a different public administration ethos were learning at the highest level about the management of IT. By 1980, middle managers in our civil service were seeing the writing on the wall, and some de-camped into mainland Europe.

Defence Procurement Starting the Move to "The Market will Provide"

In the early 1980s, something happened in another part of the UK civil service: Defence. They had a supposedly market driven procurement system, but there was only one UK customer in that market and it appeared that procurement didn't work well enough for that customer: costs were too high. It worked very well for the suppliers, as they carved up the business amongst themselves and too often grossly overcharged. Mostly government got what it needed by way of equipment, but only because a layer of middlemen brokered (translated) between a government department that didn't understand how to specify in detail what it needed and suppliers who could interpret the often only partly formed requirement and fit it to what they could do. In order to get costs down, Michael Heseltine moved MoD to a fully competitive procurement method: MoD should clearly state their requirement and let the market bid via a rule-driven process that banned collusion. Unfortunately, MoD personnel and the suppliers were talking different languages, and chaos reigned for a good while. Uncomprehending people in MoD PE tended to take the lowest bid, without being able to judge the suitability of the solution offered. The military, however, did have something to help them: quality standards and the right to enter the supplier's premises, see what they were doing, and, if necessary, stop the job—but for quite some years that was not a good enough check, and we still have some long running and troublesome projects that echo the problems of that discontinuity time. By the mid 1980s we had moved the military quality standards into the civil area with BS 5750 (today further developed into the ISO 9000 series of standards and related material), but without the right of the customer to see what the supplier was doing, and so sometimes it didn't work out there, either.

Civil Public Administration Turning to the Market to Provide Process Systems

By the start of the 1990s, central government could see the possibility of doing two things in public administration: move many more admin processes into computer software, and use competitive procurement to do as the MoD had done: let the market provide. Central government was soon in the business of directly purchasing the process implementations from a business partner—and all the checks and balances and local discretion that made life bearable for so many inside and outside the civil service were being swept away. Such a procurement policy meant that the processes had to be universal (doesn't work, as local discretion for out-of-the-ordinary cases had gone), and process definitions, for universal, national deployment, had to be signed off by the customer (who had never defined process that tightly before). All of the manual intervention that made things happen in our classic days-of-empire bureaucracy was going, but there was no skill at the top to work with definers of the process, implementors, and customer service people in order to get it right. There was nowhere near the necessary ability to manage service development, testing, delivery and the inevitable on-going change processes. Nor were external technical auditors employed to ride shotgun on the development projects—but, in the mid 1980s, numerous members of the Stock Exchange did employ those types of auditors when moving to screen based trading, and their systems largely worked on Day One, so there was a precedent quite close at hand.

Growing Problems, but no Real Solutions

In this new Millenium, Ian Watmore said the following at the launch of the Sheffield Centre of e-Excellence: after, in the early 1990s, we moved to competitive procurement of IT systems (he should have said ICT), progressively central government lost the skills of implementation. Since he said that, it has become obvious that we had no skills in place to hire the right people to manage the projects. No wonder our civil servants were coming back from European meetings realising that they were completely out of their depth in an environment otherwise composed of highly skilled bureaucrats. No wonder, as an ex-DTI Englishman working in Brussels for a European public sector organisation has said to me, Britain's civil service is the laughing stock of Europe on ICT matters. No wonder that some major suppliers are very reluctant to do government work here (but on that topic I must request that you do not ask me to name names).

Of late, an attempt has been made to improve ICT procurement in the UK public sector by using an EU-sanctioned process known as Competitive Dialogue: the purchaser states the requirement, approves a group of potential suppliers, and then they all get together to match the requirement to the available products and services and produce a better statement of requirement, after which a formal tendering procedure operates as before. The NIS is using it, and so is the National Policing Improvement Agency, but neither of them produced a comprehensive statement of requirements at the start, so even the customer's business requirement has not been comprehensively analysed and stated. The impression given is that, as so often, the tail will end up wagging the dog, but the new feature is that in the meantime the potential suppliers provide free consultancy to the client.

Impact of the Information Society

Alongside the increasing clumsiness of the UK public sector has been the growth of the loosely titled Information Society. Individuals are able to access more and more detailed information, which we can and do use to challenge the activities of those at the top of the public sector. Successful businesses harness Information Systems technology to empower tightly coupled organisations that simultaneously delegate responsibility for operation and also maintain accountability throughout each business hierarchy. Global businesses, together with better opportunities for travel, have produced a young generation with global reach (referred to in the jargon as "Generation Z"). That generation, and those of us older but still young at heart, are determined to take no prisoners, and so expect high quality performance from the state as much as from other organisations. We will turn our backs on those organisations that do not perform.

Analysis

In UK public administration we tinker: we produce Information Assurance policies in Cabinet Office, but the senior people in the spending departments don't understand them, don't have training programmes to upskill their staff, and so don't apply them. We now call it Transformational Government, with its own Minister of State, but still there are not the people to manage it—it is no good giving a department a tool to analyse the quality of its service delivery if nothing is done to ensure that, from top to bottom, they develop the necessary skills to improve. Until about four years ago a middle ranking and above civil servant could commission small advisory contracts on his or her own account, but the bureaucrats stopped that—so now the civil servant reaches for the list of Framework Contractors, phones one, asks if they can advise on so-and-so and they say "yes", even if they don't have the skills necessary for the job—and the contractor doesn't subcontract. Time after time we in the small end of business see the advice provided and say: we could do a lot better for much less money; why don't you hire experts? Maybe we point out the self-help material as well. Rather than heed any of that, the civil servants exhibit slippery back syndrome: it's

somebody else's problem, so I can shake it off my back. The chain of responsibility has to reach right to the top, and it has to be active throughout the definition, delivery, upgrade, and maintenance of a new service method.

Synthesis

What should be done here? Prof Ohyama of Japan's METI coined a phrase for it: "Administrative Process Re-engineering", the public sector's equivalent to Business Process Re-engineering. Apply the necessary skills and management methods from top to bottom of each organisation's tree. Implement formal Quality Management and Information Security Management methods. Implement appraisals of technical skills right up to the highest level as well as appraisals of those classic skills parodied in "Yes, Minister". When appointments are made, make sure that the necessary skills for management and oversight of ICT driven administration are in the job spec for those who have to do that work and for the people above them. For existing people, mentor them with expert managers of technology matters—do this right up to Permanent Secretary level. And get the First Division Association on your side before you start. And understand that, with the loss of local discretion to deal with the people who don't fit the basic centrally specified model, the system developers, and the people who run the resulting services and provide support to citizens and businesses, need to work together to deliver inclusive services.

Do risk management and some joining up as well. Information handling projects must have risk and impact studies and ongoing monitoring, and that must include the impact on other parts of the public sector. Different departments, even different groups within the same department, and different levels of the public sector, need to work together on this.

Examples

Here are a few pointers from current projects:

— The DfT ENCTS (English National Concessionary Travel Scheme) team failed to work with CLG to assess the impact on ideas for citizen service smart card schemes and then move to ensure that that impact was managed for the ultimate benefit of citizens. The DfT team failed to ensure that it assisted local government adequately where that sector did not have the necessary skills—eg on data protection implications, where slippery back syndrome applied: "not our responsibility" (indeed misleading advice on handling personal data was given, but, in one of its first pro-active actions, the ICO sorted that one out). One ICT manager working for a supplier on that project said to a Technical Working Group recently that he works from specifications, not guidance—the definitive specifications were never produced in that project, yet we can use our passes nationally and (very very gradually) there is to be a rollout of on-bus equipment that must accept passes from everywhere in England and very likely, in only a few years, those from Scotland and Wales as well. Now the project has to face the risk that the dominant smart card chip type used has, as predicted by experts, had its security compromised. This project can be rescued by creating a project team to develop clear specifications for the structure and format (and some content) of card data (ENCTS and local government functions), on-bus and local government equipment processes, and network-wide security methods, with training in managing the technology (properly structured and delivered training courses) given to civil servants and local government officers, and a wider set of contractors brought in to combat the weaknesses of the existing Framework Contractors.

— The ID Card project (now NIS) has never produced a specification for on-line links even from other government departments, even though those departments and many other organisations will need to do that, and central government departments were asked to say how they would use ID cards (they will need to be able to verify them via their own systems). As recently as autumn 2007 offers were made to do the specification work—but there was no funding, and also fear of the potential effect of Clause 29 of the Act.[317] The NIS also illustrates another problem, for there we are busy snatching defeat from the jaws of victory: in 2006 an expert team in OGC reviewed the project in depth, as a result of which the database strategy and architecture were changed late in that year, very much for the better—but the resulting smart card currently does not have eID functionality. Unlike the eight or so other countries across the EU who have or are already building in eID functionality, we UK citizens and those organisations that need to verify identity or entitlement will not be able to use the cards (or passports) online from home and office internet connected computers, or from secure mobile devices. The ID card is still not going to be useful to the citizen, and, because of that, it fails to contribute to delivering EU policy for secure public service delivery over the internet, all across Europe and 24 hours a day: better service at lower cost. So eID functionality must be added for use by the citizen, businesses and other organisations, along with network links to other central government departments and other groups such as education providers. To do this a cross-departmental team should be established to develop

[317] eg see http://p10.hostingprod.com/@spyblog.org.uk/blog/2008/07/trades-unions-betray-their-members-over-labout-id-card-scheme.html (never mind the title of the article . . .)

technical specifications in line with European developments, again with training given to civil servants and a range of appropriate design and security contractors included (with provision for SMEs and even sole practitioners).

Answering the Critic

The fear will be that, with re-engineering, the top levels of the civil service will be at risk of losing focus. Not so: by becoming more skilled they will develop sharper focus.

Of course the response to the proposals here will be that there is no money to do all of this. Yes, process re-engineering costs money, and the public sector cannot capitalise that spending because it is spending on intangibles (the private sector can and does capitalise it). But saving just one billion pound project from a crash will pay for a great deal of the changes, and rescuing the public sector from the current situation where growing numbers of the public profoundly distrust government at all levels for its many failures in public administration is also worth a great deal. So just do it.

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