

INTRODUCTION

Background

This introduction¹ describes the process of change that is taking place in the U.K. Civil Service, discusses the impact of the changes on the quality of the service received by the public and draws some conclusions about the conditions that appear to have been critical to the achievement of change.

The U.K. Civil Service contains over half a million people and is engaged in a very wide range of activities, from the direct delivery of services to members of the public to the provision of policy advice to Ministers on major affairs of state. Since the Northcote-Trevelyan reforms of the nineteenth century, the basic values that have underpinned the U.K. Civil Service are summarised in an ethical code set out by Peter Hennessy who identifies the following elements:

- probity;
- care for evidence;
- respect for reason;
- willingness to speak truth unto power;
- the capacity, not just to live with the consequence of what is conceived to be a mistaken course of action, but to pursue it energetically;
- awareness of other people's life chances;
- equity and fairness;
- constant and careful concern for the law;
- constant concern for Parliament – its needs and procedures; and
- concern for democracy.

There have been previous attempts to reform the Civil Service in the twentieth century, the most notable since the war being that proposed in the Report of the Fulton Committee. The underlying ethical code and dominant administrative culture survived all these attempts at reform. The administrative culture was essentially bureaucratic, driven by top-down directives and procedural control rather

than performance objectives and devolved authority. The reforms of the 1980s and 1990s described in this paper have certainly changed the administrative culture to a managerial culture. Questions remain regarding the preservation of the ethical code within these changes, and the extent to which greater openness is necessary to provide new checks and balances to compensate for the loss of those inherent in the traditional administrative culture.

The Conservative Government of 1979 led by Margaret Thatcher sought to reduce public expenditure in order to reduce direct taxation in line with its overall economic policies. The view was taken that the U.K. was "over-governed" and that it would be in everyone's interests for government to play a smaller role. Simultaneously, the Government aimed to place in private ownership a number of public utilities, in order to subject them to direct market forces and so improve their efficiency and competitiveness.

The drive for economy and efficiency, and the contribution that greater competition could make to their achievement underlie much of the philosophy which started the Civil Service reforms. The importance of the Government's belief in privatisation as the root of other changes in public services should not be under-estimated. Coupled with a belief in the market, there was a belief that, freed from the intervention of politicians and bureaucrats, enterprises flourish and managers operate in ways that could be adopted with advantage by their counterparts in the public sector.

The Efficiency Unit and Scrutiny Exercises

An early manifestation of the desire to introduce private sector practice into those areas of government not appropriate for privatisation was the creation in 1979 of the Prime Minister's Efficiency Unit, led initially by Sir Derek Rayner, Chief Executive of Marks & Spencer. The Efficiency Unit has always been staffed by very able civil servants and people from the private sector on short term secondments. Typically the Unit has comprised two civil servants and three seconded industrialists, with a support staff of three.

The Unit developed a methodology based upon Scrutiny Exercises, working closely with civil servants from individual departments on narrowly focused and short term (typically 90 days) studies with the major aim being to reduce expenditure and improve the efficiency of the work of the department. About twenty scrutinies are conducted each year by government departments with support from the Unit. Some scrutinies cross the boundaries of a number of departments and on such occasions would be led by a member of the Unit.

The size of the Efficiency Unit is critical. It is not responsible for conducting scrutiny exercises; it is responsible for ensuring that scrutiny exercises are conducted. Placing the responsibility for the work firmly within the departments concerned has ensured a far greater involvement in the process and commitment to the outcome than would have been the case had the process been an external one.

A scrutiny works by examining closely a single activity or function. It sets out to establish what actually happens; provide facts and figures that are soundly based; challenge assumptions that hold back fresh thinking and better use of resources; demonstrate the necessary change can be brought about; and achieve measurable improvement within two years. Scrutinies are usually carried out within an individual government department. Terms of reference, action plan and implementation time-table are agreed with the Minister and the head of the department. Resulting report aims to present specific, fact driven recommendations with a time-table for action. After two years, the department produces an implementation report showing what has been achieved as a result. Scrutinies are a well proven way of focusing on action to exploit opportunities for real improvements. In recent years the Government claims they have produced savings and benefits valued at around £200 million to £300 million annually.

The early scrutinies revealed just how poor management was in the Civil Service and this is not at all surprising. Those identified with the potential to become future senior civil servants have not, traditionally, been recruited on the basis of their managerial capabilities or potential, though increasingly an attempt is made at the point of entry to assess their potential as managers. Prestige in the Civil Service has been associated with the preparation of policy advice and the provision of support to ministers. The routine business of executing the Government's policies and delivering services to the public carried less status. Traditional bureaucratic systems have always been dominated by the establishment and interpretation of rules; the process of impartially interpreting the rules was given greater emphasis than has concern with economy, efficiency and effectiveness and the quality of the outcomes achieved.

The Financial Management Initiative

The effect of the Efficiency Unit's activities was more widespread than the sum of the particular outcomes of the individual scrutiny exercises, as fundamental flaws in the Civil Service's approach to management were revealed. The Financial Management Initiative (FMI), introduced in 1982, was the next major step in developing managerial approaches.

The traditional approach to financial management in the Civil Service has been based on the detailed budget, establishing on an annual basis the funds provided for very specific heads of expenditure. The power to vire money from one budget head to another was severely restricted and good financial management equalled adherence to budget figures. Over-spending on particular budget heads would have to be explained in detail; under-spending was perceived to carry its own penalties as it would result in a reduction in the following year's budget allocation.

The aim of the FMI was to improve management in the Civil Service by ensuring that all managers knew what their objectives were and how their achievements would be assessed; that they had well defined responsibilities for making the best use of their resources and the necessary information, training and advice to exercise their responsibilities effectively.

As a result of FMI, managers in government departments were for the first time given responsibility for managing their own budgets. Output was measured and the cost-effectiveness of their work evaluated. Managers became personally accountable for their work as each department was required to operate within a limit for its manpower and total running costs. This approach has underpinned subsequent reforms. Key features were therefore:

- delegated budgets;
- the development of information systems; and
- increased objective setting, establishment of performance indicators and output measurement may the cost effectiveness of work to be evaluated.

The FMI was steered by the Treasury, which has a natural interest in promoting cost awareness, and reflected a preparedness among senior Treasury officials to loosen the powerful central controls that dominated Treasury approaches in the past. The success of the FMI has been attributed to its decentralisation of control and responsibility to line managers, and to its flexibility in allowing individual departments to tailor their own systems within a general framework.

The FMI has greatly accelerated the implementation of sophisticated, computer based accounting systems and the quality of information reaching Ministers and their senior civil servants has increased as its quantity has decreased.

The FMI also raised fundamental questions about personnel management practice in the Civil Service. Performance appraisal systems used to concentrate on the individual's performance in isolation – now the trend is towards schemes which are more concerned with assessing the extent to which an individual has contributed to the achievement of an organisation's goals in a particular period. But, in addition,

managers need greater authority than they have had in the past to switch resources between staffing and non-staffing heads, to vary staffing grades and skills and to have greater freedom in hiring, firing, transferring, promoting and motivating staff.

The FMI was not conceived broadly enough to encompass such changes, nor was the Treasury prepared to permit them in a programme that was very much under its control.

The Next Steps Study

Sir Derek Rayner was succeeded in 1983 as Head of the Efficiency Unit by Sir Robin Ibbs, a former Director of ICI and subsequently Deputy Chairman of Lloyds Bank. Under him, the Unit was invited by the Prime Minister to conduct an investigation with the following terms of reference:

- to assess the progress achieved in improving management in the Civil Service;
- to identify which methods had been successful in changing attitudes and practices;
- to identify the institutional, administrative, attitudinal and political obstacles to better management and efficiency that still remain; and
- to report to the Prime Minister on what further measures should be taken.

The study, which took place between November 1986 and March 1987, involved the team in meeting Ministers, Permanent Secretaries and officials both inside and outside the Civil Service as well as some private sector organisations. The team visited dispersed units of central departments and regional offices and consulted people who had left the Civil Service for other work. Thus the study reflected a broad spectrum of opinion, which was important at the later implementation stage.

The report² was delivered to the Prime Minister in the spring of 1987, but the sensitivity of its recommendations and the forthcoming general election, meant that it was not published until February 1988.

The main findings of the study were:

- some progress had been made: civil servants were now more cost conscious, and management systems were in place;

- budgeting systems and manpower cuts were the two measures which had been most effective in changing attitudes and practices;
- while the introduction of systems was a start, real changes in attitudes and institutions were needed to get the full benefits of better management;

but substantial obstacles still remained:

- there was insufficient focus on the delivery of government services (as opposed to policy and ministerial support), even though 95 per cent of civil servants work in service delivery or executive functions;
- there was a shortage of management skills and of experience of working in service delivery functions among senior civil servants;
- short-term political priorities tended to squeeze out long-term planning;
- there was too much emphasis on spending money, and not enough on getting results; and
- the Civil Service was seen as being too big and too diverse to be managed as a single organisation.

The report was consistent with many of the findings of individual scrutiny exercises as well as echoing the recommendations of earlier reports, and in particular that of the Fulton Committee in 1968.

From their findings, the Unit team identified five main issues and three main priorities. The issues identified were:

- a lack of clear and accountable management responsibility, and the self-confidence that goes with it, particularly among the higher ranks in departments;
- the need for greater precision about the results expected of people and of organisations;
- the need to focus attention on outputs as well as inputs;
- the handicap of imposing a uniform system in an organisation of the size and diversity of the present Civil Service; and
- the need for sustained pressure for improvement.

The priorities identified were:

- the work of each department must be organised in a way that focuses on the job to be done; the systems and structures must enhance the effective delivery of policies and services;
- the management of each department must ensure that their staff have the relevant experience and skills needed to do the tasks that are essential to effective government; and
- there must be a real and sustained pressure on and within each department for continuous improvement in the value for money obtained in the delivery of policies and services.

The central recommendation of the report was that "Executive Agencies" should be established to carry out the executive functions of government within a policy and resources framework approved by the Minister responsible for that area of work. Each Agency should be under the direction of a Chief Executive who would have significant delegated authority within the policy and resources framework to manage the Agency and would be given freedom from the day to day involvement of Ministers.

Despite the controversy that was stimulated by the report, and the Treasury was clearly reluctant to free Agencies from areas of its direct control, the Prime Minister endorsed its findings on the report's publication in February 1988 and announced the first list of potential Agencies. The mechanism for planning and executing the reforms was also announced at this stage. A Project Manager, with the rank of Second Permanent Secretary, was appointed to lead a small team of civil servants. This team, known as the Next Steps Team, is responsible for identifying candidates for Agency status, for supporting the design of their Framework Documents and for encouraging the necessary management development and training. This clearly requires working very closely with individual departments as well as promoting the concept throughout the Civil Service and beyond. The team has subsequently played a central role in the process of evaluating the success of individual Agencies and reviewing their framework documents.

Political Commitment

The critical importance of ministerial leadership and support was recognised. The report stated:

"Without this lead (the recommendations) will falter partly because of the inertia of any very large organisation, but partly because it is Ministers who will have to explain, promote and defend them in Parliament as and when the difficulties are encountered."

The Prime Minister continued to demonstrate a direct interest in the progress of the initiative and stated in the Civil Service management journal:

"One of the great tasks we face for the 1990s is to improve our public services and make them more responsive to people's needs. Next Steps, which I launched two years ago, puts this to the top of the agenda. Next Steps sets the direction for the Civil Service of the future. The test will be improved results and better service. I am sure this is what we will see."

John Major, Prime Minister from November 1990, also signalled his support:

"What we are seeing at the moment is nothing less than a revolution in Management in the Civil Service that will make it more responsive, more open, more effective, more rewarding for the clientele of the Civil Service's operations and I think providing a better career structure and a more enjoyable life for Civil Servants themselves."

Whilst political support and commitment from the very top has been of critical significance to the changes described in this paper, the political support needs to have a wider basis. This wider basis has come from consideration by the Treasury and Civil Service Committee (TCSC), one of the Select Committees of the House of Commons. TCSC has published a number of major reports on the Next Steps Initiative since 1988 and, by achieving a political consensus on each occasion, has demonstrated the importance of preserving the tradition of a politically neutral Civil Service whilst ensuring that the Civil Service is organised in such a way that it can efficiently and effectively implement the policy of the government of the day. At the time of writing (August 1994) a further report from TCSC is awaited and a more critical stance towards the reform programme is anticipated.

In a lecture delivered in May 1991 to the Royal Institute of Public Administration, the Shadow Chancellor of the Exchequer (Opposition Spokesman on Finance) recognised this:

"I do not think there would be merit in a new government seeking to uproot all the plants in the garden, re-arrange their roots, and then, having planted them again, expect them to grow well..... It is worth noticing that the framework agreement controlling an agency can be altered by government and one option for a

government, which has different aims and values, is to change the agreement in line with its purposes."

This statement demonstrates that the reformed Civil Service is structured in such a way that it is possible for a new government to make substantial policy changes and reflect these changes in rewritten Framework Documents which would ensure rapid implementation of new policy measures.

Implementing the changes

Before any Agency is established a "prior options" study is carried out. This considers:

- whether the function needs to be carried out at all, if not it can be abolished;
- if the function does need to be carried out, whether it could be privatised or contracted out; and
- if it is to be a direct government function, whether it should be carried out by an Agency.

Each Agency has defined responsibilities, and clear aims and objectives, set out in a Ministerially-approved Framework Document. It operates within, and gives effect to, policies laid down by Ministers. It sets annual performance targets approved by its Ministers. The Chief Executive of the Agency is personally responsible for the Agency's performance in relation to these objectives and targets. The Agency's performance is monitored by its department, and full details of the tasks the Agency are given, and its performance against them, published in its Annual Report and Accounts. The Next Steps programme, in line with the Government's policy of openness, has resulted in a significant increase in the amount of information available to MPs and the public. The publication of agency Annual Reports and Accounts means that comprehensive information about the working of the Government machine is now readily available to anyone who wants it. This could previously have been obtained, if at all, only with considerable difficulty. This Review also ensures that the salient points about Agencies and their activities, including their performance against key targets, are brought together in a convenient form. Ministers, of course, retain unchanged accountability for policy, and answer to Parliament on it. Agency Chief Executives normally reply to letters from MPs or written Parliamentary questions about operational matters within their responsibility. This strengthens accountability, since those responsible for operational decisions are seen to be directly answerable for them.

The Next Steps approach, building on the Financial Management Initiative, links together more clearly aims and objectives, programmes and resources. Financial control has been strengthened and all agencies have clear financial targets. Making sure that Agencies have the right financial framework is essential. Twelve agencies are now operating as trading funds. This allows them to exercise considerable freedom and discretion in the management of their own funds. They are not subject to detailed advance approval by Parliament of their income and expenditure which could inhibit effective management of trading organisations, but are required to break even taking one year with another, and to meet any other targets Ministers may set, and are subject to many of the disciplines which apply to private sector companies. A number of other Agencies are considering trading fund status. Regardless of whether or not they can trade, Agencies are required to publish commercial-style accounts, on an accruals basis. If they are not able to do so when they are launched, the aim is that such accounts should be produced within two years of the launch. This is encouraging a more business-like approach and providing harder information from which agencies can work to improve efficiency.

Within this framework, a major impact of Next Steps has been to focus attention on unit costs. A growing number of Agencies have productivity targets based on unit cost information, and work is going forward with agencies to help ensure that the tools for measuring productivity are as effective as possible. This is essential if standards are to be maintained and improved at a time of public expenditure restraint and tight running-cost and paybill controls.

A key feature of Next Steps is the appointment of a Chief Executive, with freedom and flexibility to manage his or her operation. Chief Executives are normally appointed through open competition to get the best person – whether a civil servant or an outside appointee – for the job. Of the 98 Chief Executive and Chief Executive-designate appointments made so far, 65 have been recruited via open competition. Of those, 35 have come from outside the Civil Service, from a wide variety of backgrounds including the private sector, local government, the NHS, and the academic world. It is one of the objectives of the Next Steps Team that Chief Executives should have the managerial freedoms and flexibilities they need and that the disciplines to which they are subject should be related to the job to be done. The application of uniform Civil Service terms and conditions to such a diverse group of organisations is no longer appropriate. All Agencies have been encouraged to review their pay and grading arrangements and to consider devising their own pay and grading systems where this will lead to value for money.

By April 1994 nearly 350,000 civil servants, 60 per cent of the total were working in Agencies and other organisations operating on Next Steps lines. The programme includes all those areas of central government with which many people will most often deal such as the Inland Revenue, Customs and Excise, the Employment Service and the Benefits Agency, the Driver and Vehicle Licensing Authority and

the U.K. Passport Office. Two new official bodies – the Child Support Agency and the Northern Ireland Child Support Agency – have been established from the outset as Agencies. Agencies range in size from the Social Security Benefits Agency with nearly 65,000 staff to Witton Park with only 30. Their work covers tasks as diverse as weather forecasting, managing prisons, issuing driving licenses and passports and providing support services to the Armed Forces. A further 94,000 civil servants work in areas announced as agency candidates and other areas are also under consideration. Existing Agencies and announced Agency candidates together account for 78 per cent of the total Home Civil Service. By the end of 1993 the principal areas of Home Civil Service activity (i.e. excluding the Northern Ireland Civil Service), which are potential Agency candidates had been identified. The aim is now to ensure that most of the candidates are up and running as agencies by mid 1995. (In Northern Ireland, because the Next Steps programme started later, the respective dates are end 1994 and mid 1996.)

One of the most important lessons to be drawn from this exercise is the part played by the centre of government. In other countries, the centre has sought to lay down an detailed blueprint to which all parts of the Civil Service have been expected to conform. Understandably, this has led to resistance from those subject to such direction. Elsewhere, the centre has established a number of strategic principles and has then encouraged individual units to adopt and adapt those that are relevant. Again, understandably, organisational inertia has meant that there has been limited change. In the U.K. a balance has been struck, with clear direction from the centre that change must occur within an overall framework, but considerable devolved authority to decide how best to interpret the principles in the context of the particular activity. The role the Next Steps Team has been to ensure that Agencies have been created, but the detailed work has been a matter for departments. This is also true for the management training and development that must be undertaken to ensure successful implementation. The Next Steps Team, and the Civil Service College are there to help, but each department must develop its own strategy and identify the appropriate sources of seminars, courses etc to meet its staff development needs.

The Civil Service College, itself an Executive Agency, has gone through a major change as a consequence of the reform programme. It no longer receives a centrally allocated budget but must cover all its costs from income earned from enrolling civil servants in its courses. This has led to much more careful market research into the real needs of senior civil servants. The Development Division in the Cabinet Office has encouraged good practice in staff development and every civil servant with a managerial role is appraised on the extent to which the staff for whom she or he is responsible have had their skills and knowledge developed, through attendance at training courses or otherwise.

Quality and the Citizens' Charter

Whilst the early stress in public sector reform has been on the twin concepts of *Economy* and *Efficiency*, a third and more fundamental concept, that of *Effectiveness*, has also become a matter for attention and the Government has paid increasing attention through the reform programme to the quality of the outcomes achieved by the Civil Service, reflecting the strong managerial emphasis underlying the reforms. The approach also reflects attempts to weaken "producer capture" of the public services in favour of the interest of the "customers", although considerable difficulties remain to be resolved in determining just who the customer is for many services, for example, the prison service.

The Executive Agency concept has many advantages for this approach. The Framework Document and Business Plans set out in a far more explicit way than previously just what each executive arm of the Civil Service exists to achieve. Ministers cannot hide behind ambiguous statements of purpose and civil servants cannot excuse the failure to deliver quality services on such ambiguity. Members of the public, citizens if not customers, have access, both directly and through their Members of Parliament, to such information and are, rightly, being encouraged to expect standards of service to achieve the target levels that have been set.

In July 1991 the Prime Minister launched the Citizens' Charter Initiative. This is a ten-year programme designed to raise the standards of public service. The Prime Minister has said:

"The Citizens' Charter is changing the face of public services in the United Kingdom. It has a simple but ambitious aim: to raise the standard of public service up to and beyond the best of the present available and to make them answer better to the needs of ordinary people. It has six key principles – setting standards, information and openness, choice and consultation, courtesy and helpfulness, putting things right and value for money. These are being adopted throughout the Public Service.

"The Charter Initiative embraces greater competition, independence scrutiny of public services; greater accountability and openness and a programme of management change to improve our public services. It ensures the needs and wishes of those who use these services come first."

The Citizens' Charter White Paper (CM1599) set out the principles to be followed in the public service and a comprehensive programme of specific improvements to those services. In April 1992 the Prime Minister appointed a Cabinet Minister with responsibility for carrying the programme forward.

The Charter is based on the recognition that much of the cost of public services is paid for by individual citizens, either directly or through their taxes. Citizens are entitled to expect high quality services, responsive to their needs, provided efficiently at a reasonable cost. Where the State is engaged in regulating, taxing or administering justice, these functions too must be carried out fairly, effectively and courteously. The approach aims to give more power to citizens. It is not a recipe for more state action, but a statement of a government's belief in the right of citizens to be informed and choose for themselves.

The Charter also recognises that those who work in the public sector are keen to improve the services that they provide and that they have the skills, dedication and enthusiasm to do so. What they have sometimes lack is the freedom and the encouragement to try out new ideas.

The Charter programme is being pursued in a number of ways and is not a blueprint which imposes a uniform pattern on every service. It is a tool kit of initiatives and ideas to raise standards in the way most appropriate to each service. There are four main themes to the Charter's strategy:

- Quality – a sustained new programme for improving the quality of public services;
- Choice – choice, wherever possible between competing providers;
- Standards – the citizen must be told what service standards are and what he/she can do if those standards are not met; and
- Value – the citizen is also a taxpayer; public services must give value for money within the total resources the nation can afford.

The Citizens' Charter meets the challenge of raising standards as well as increasing efficiency by focusing on results. The key is to look at the job to be done and then to work out how best to do it, applying a number of tests with the aim of introducing choice and competition wherever possible. This encourages public services to respond to their customers' needs, to reward innovation, and to improve the effectiveness and job satisfaction of staff. The key questions build on those used to establish whether an agency should be introduced:

- Does the job need to be done at all? – bureaucracies have an inherent tendency to grow. Unnecessary tasks should be cut out so that resources can be used where they are needed more or the costs to the taxpayer reduced.

- If the activity must be carried out, does the Government have to be responsible for it? The Government may judge that many activities that it has carried out over the years may be done better by the private sector.
- Where the Government needs to remain responsible for an activity, does the Government have to carry out the task itself? To find this out the task may be put out to competition, either between firms in the private sector, or by inviting both the public and private sectors to compete in a "market-test". The aim, either way, is better value for money. By December 1993, £1.1 billion of activities had been exposed to competition as part of the Government's competing for quality programme.
- Where the job must be carried out within Government, is the organisation properly structured and focused on the job to be done? Managers and staff must be freed from unnecessary rules and allow to find better ways of providing the services that meet the needs of the users. Higher and more rigorous quality of service targets are being set for government Agencies year on year.

Agencies are leaders in delivering the Citizens' Charter commitment to customer service. Agencies which serve the public directly are now expected to publish Charters or Charter Standard Statements which describe how the Agencies will treat its customers and the standards of service that individual customers can expect. Agencies' commitment to high quality service means that performance targets and Charter Standards are aligned and give staff a clear message about what they are to achieve, with performance monitoring systems which cover both. When a new Agency is being set up, it will be expected to think about the service standards it will offer at the same time as it is preparing its framework document and planning documents so that a Charter or Standard Charter Statement can be published on launch. These documents will be expected to reflect an emphasis on building a strong customer focus into the Agency's thinking from the outset.

Competing for Quality

The reforms of the 1980s were aimed – step by step – at getting public service delivery system right. They reflected the Government's belief that a competitive market is the most efficient and responsive mechanism for providing goods and services. As the Citizens' Charter makes clear, one way to achieve increased choice is to bring private sector disciplines to bear on the way public services are run. Privatisation has therefore been a key strategy applied by the Government wherever possible. Regulatory bodies have been created where the public interest requires protection because of the remaining elements of monopoly.

An increasing range of services have been purchased from the private sector. In November 1991 the Government's White Paper "Competing for Quality" set out proposals for extending competition in the provision of services in both Central Government and the National Health Service. In Central Government, all departments and Agencies were set targets for work to be market-tested. The 1992-93 target amounts to a fifty-fold increase over previous targets for market-testing. The new areas to be tested covered a wide range of activities moving from traditional support services such as catering and cleaning to areas closer to the heart of government.

The Government claimed that there was no presumption that these activities would be contracted out to private suppliers. However, unless the private sector has a clear expectation of winning a significant amount of work, it can hardly be expected to invest the necessary resources in making bids. The Government claims a belief that the best in public services can match anything in the private sector and the objective is to promote fair competition so that the public services can achieve, everywhere, the best value for money for the customer and for taxpayer. Understandably, civil servants faced with, as they saw it, competing for their own jobs, were less than convinced.

The Future Shape of the Civil Service

In the five or six years since its launch, the Next Steps programme has transformed the organisation and working methods of the Civil Service. There is a continuing, dynamic process under way covering much of the Civil Service addressing:

- the scope for change in areas of departments not yet in Agencies: this includes looking at streamlining central financial, personnel, and headquarters support function as responsibilities and tasks are delegated to Agencies; addressing the scope for contracting out in market-testing of headquarters functions; and initiating "prior options" analysis of the case for Agencies status for those remaining executive functions;
- for Agencies, the change programmes described above plus the requirement to contribute to the government's contracting out/market-testing programmes; and
- for Agencies, the periodic review of status.

Agencies have announced candidates for Agency status in the Home Civil Service which represent 78 per cent of the total staff employed. Because each candidate for privatisation, contracting out or market-testing is judged on its merit, it is not possible to predict the precise size of the Civil Service by the mid 1990s. It is,

however, clear that following Next Steps and other initiatives, it will be smaller and can figure on the following lines:

- central departments focused on strategic issues, resource allocation and facilitating best practice;
- centres of departments which are smaller, concentrating on policy-making, essential finance and personnel functions and the procurement of services from agencies all on contract; and
- Agencies with considerable management freedom operating within the framework of the Citizens' Charter.

In July 1994 the Government published a White Paper³ setting out its policies on the civil service. After speculation about a radical step towards privatising all but a few key functions, the White Paper will be seen as a conservative document. The key changes of the past few years – achieving economy and efficiency, placing greater emphasis on standards of service, introducing basic management approaches with an emphasis on delegated authority and more explicit accountability – are all to be sustained. The Government's continued commitment to sustaining the key principles on which the Civil Service is based (integrity, political impartiality, objectivity, selection and promotion on merit and accountability through Ministers to Parliament) is stated. There is an implicit recognition that the market-testing initiative as a centrally imposed directive has failed as, in future, departments and Agencies will decide for themselves the extent to which the approach will help them achieve their twin targets of remaining within centrally determined running cost limits whilst achieving negotiated performance targets. The importance of the negotiation process in target-setting is recognised in order that staff at all levels have a sense of ownership of the targets. The White Paper demonstrates the Government's realisation that an over emphasis on reducing staff numbers can be counterproductive in terms of cost reductions. The lessons of contracting out work to former civil servants at consultancy fee rates have finally been learnt.

The greatest innovation in the White Paper is the proposal to create a "Senior Civil Service" for the (approximately 3,500) most senior staff in grades 1-5. The purpose of the proposal is to ensure the availability of a core of senior professionals of the highest calibre to support Ministers in policy formulation and implementation. Whilst most of these people will still follow a career in the Civil Service, open recruitment will be introduced so that new blood can be recruited at senior levels. Career and succession planning are to be sharpened so that the very able can see their route to the top, providing that their performance matches their promise. The concept of the "faststream", which appeared to label future leaders from the moment of selection, is to go. Staff in the Senior Civil Service are to have explicit contracts of employment, but the wholesale use of short-term and rolling contracts is not to

be adopted. Contracts will be clear about periods of notice in different circumstances and the grounds on which employment can be terminated are to be set out in the contracts.

The White Paper discusses the role of the Civil Service Commissioners, the Head of the Home Civil Service and, in the case of Grade 1, 1A and 2 posts, the Prime Minister, in the process of appointment but is silent about the procedures for termination. The protection of a politically neutral Civil Service is not achieved merely through increasingly transparent appointment procedures. The Civil Service Commissioners are increasingly seen as the monitors of good recruitment and selection practice rather than the people directly responsible for those activities. This is fully in keeping with good management practice which delegates as much personnel management responsibility as possible down the line.

Although the White Paper states commitment to the basic principles of integrity and independence it is silent on additional measures to safeguard these principles, other than the recognition that the Treasury and Civil Service Committee is examining the case for a Civil Service Act and other mechanisms to protect standards of conduct and propriety. Those familiar with the Public Accounts Committee's report⁴ on this issue would feel this to reflect undue complacency, whilst those who call for greater access to official information will not be satisfied with the statement that "Public disclosure and quotation of advice risks eroding the non-political nature of the Civil Service and the confidential relations between Ministers and Civil Servants."

Conclusions

The reforms described here are important in the U.K. As solutions to a particular set of problems in a particular context they are unlikely to be easily transplanted as solutions to other problems in other contexts. So, it is important to look beyond the product of the reforms, in this case Executive Agencies, to the process that resulted in the changes and consider whether there are lessons to be learnt from that process that are of relevance elsewhere.

The conditions suggested here as critical for the success of the change programme in the U.K. are:

- sustained political commitment to change on the part of the Government and a degree of cross-party agreement on basic principles;
- pressure to secure the most efficient use of resources;
- pressure to reduce the number of people in the Civil Service;

- opportunities for civil servants to participate in analysing the problems that are faced;
- responsibility for implementation being firmly placed with those responsible for sustaining the changes; and
- programmes of staff development linked directly to the reform programme.

The importance of political commitment from the Government and the degree of cross-party support that has been achieved have been discussed in this paper. The political independence and neutrality of the U.K. Civil Service is longstanding and generally regarded to be of great significance to the achievement of the effective management of the business of government. This is not the case in every country and the extent to which the senior ranks of the Civil Service in a country reflects the political interests of the governing party affects the extent to which consensus for reform can be achieved.

The external pressure from the International Monetary Fund (IMF) in the late 1970s and the internal pressure from Conservative Governments to reduce public expenditure through the 1980s created a climate in which priorities had to be examined much more carefully and the need to address the outcomes achieved was emphasised. This climate has been very supportive to the introduction of managerial concepts as they provide a framework to handle the choice of priorities in a structured fashion. It is unlikely that the progress made in the early 1980s in facing up to inadequate management systems would have been as rapid if there had not been these severe pressures to reduce both expenditure and staffing levels. Whilst many countries face the same external pressures in terms of their relationships with the IMF and World Bank, the political consequences of generating and sustaining the internal pressures need careful consideration.

The Ibbs Report of 1988 was written after much discussion with civil servants. Its analysis and proposals were therefore clearly recognised as accurate and welcomed by a far greater number of civil servants than had been the case twenty years earlier when the Fulton report was published. The importance of the process of consulting and gathering ideas from a wide range of civil servants is stressed if their commitment to implementation is to be achieved. This is the first major lesson to draw from the U.K. experience.

Three key organisational units can be identified in the change process: the Efficiency Unit, the Next Steps Team and the Charter Unit. All three units are very small in relation to the scale of the tasks they have addressed. The Efficiency Unit has not been responsible for conducting efficiency scrutinies – it has been responsible for ensuring that the efficiency scrutinies have been conducted. The Next Steps Team has not been responsible for setting up Executive Agencies – it

has been responsible for ensuring that Executive Agencies have been established. The three units have been seen to have the direct support of the Prime Minister. This has been a powerful factor in helping fulfil their responsibilities. But, the great bulk of the work has been undertaken within departments, by people who were not only involved in managing change but knew that subsequently they would be involved in managing the changed arrangements. This is the second major lesson to draw from the U.K. experience – external forces are needed to effect change – internal forces have to be generated and harnessed to ensure that the changes are sustained.

The third major lesson to draw is a simple one – it is not possible to develop organisations without developing the people who work in those organisations. The analysis of training needs should flow directly from the organisational change process, identifying the skills that are needed and the extent to which the current management staff lack those skills. This leads directly to staff development programmes which can involve courses and seminars as well as learning from on-the-job experience.

It should come as no surprise that the three general lessons from the U.K. experience all relate to people, their involvement in analysing the problems, in determining and implementing the solutions and in developing their own skills to cope with the additional responsibilities.

Administrative reform must be about structures and management systems – the form of those structures and systems will depend very much upon the particular circumstances in any country. The effective development and maintenance of structures and systems depends upon people – that is true in any country.

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1. An earlier version of this paper was prepared for the Commonwealth Secretariat's Round Table on the Changing Role of Government Administrative Structures and Reforms held in February in Sydney, Australia, entitled "Civil Service Reform in the U.K.: A Case Study by David Falcon"
2. Improving Management in Government: The Next Steps, HMSO 1988
3. The Civil Service: Continuity and Change CMND 2627 HMSO (Note: in the U.K. a White Paper is a statement of government policy whilst a Green Paper is a consultative document published during the stage of policy development. Unusually, the Government has invited comments on this White Paper)
4. Committee of Public Accounts (1994) The Proper Conduct of Public Business Eighth Report HMSO