

Civil Service Reform in the Real World

Patterns of success in UK civil service reform

Nehal Panchamia and Peter Thomas



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Foreword

One of the most valuable guides for any would-be reformer is knowing what has, and has not, worked in the past. This has been one of the themes of much of the Institute for Government's work over the past five years. The value of this report by Nehal Panchamia and Peter Thomas lies not only in the detailed study of four major civil service reforms since the late 1980s but also in the broader conclusions about the nature of success, the reasons for success and the constraints (the lift and drag factors) and the implications for today's leaders of reform.

Like the best histories, the account of the four episodes is enriched by an understanding of the context and the personalities – aided in two cases by Peter Thomas's own involvement (which strengthens rather than inhibits his appraisal and criticisms). Anyone wanting to understand Whitehall, and the much misunderstood relationship between ministers and civil servants, would be well-advised to read these case studies.

One of the most fascinating questions is the role of ministers in providing political backing. This varied from project to project most important in the introduction of Next Steps agencies and least in Bringing in and Bringing On Talent. But the authors make the key point about the dangers when senior officials and ministers move on, and their successors do not see the need to back a reform agenda associated with their predecessors. This applies not only to ministers of the same party but even more when there is a change of government and new ministers likely to be unfamiliar with Whitehall reforms. That is why it was so important that Lord Butler, then Cabinet Secretary, briefed Labour about the Next Steps reforms before both the 1992 and 1997 elections. The Institute sees as one of its key roles informing politicians, notably those out of office, about changes in Whitehall in the hope of trying to minimize such dislocations and loss of drive.

The main conclusions of 'Civil Service Reform in the Real World' – about the dangers of leadership being too personalized and failing to survive crucial transitions and the absence of a corporate leadership team at the top of the civil service – match those of the parallel report 'Leading Change in the Civil Service' looking at the state of departmental and broader civil service reform after five years of reform. Both reports – the fruit of several years work by the authors – should be read in tandem.

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

Peter Riddell
Director, Institute for Government
February 2014

About the authors

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Acknowledgements

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We are also grateful to Institute colleagues, past and present, who have contributed hugely to this research. Joe Randall, Will Wright and Charlotte McDonough deserve special mention for their sterling research assistance. Thanks also go to Tom Gash, Dr Catherine Haddon, Marc Kidson, Sir Ian Magee, James Page, Jonathan Pearson and Julian Traficante for providing constructive challenge throughout and helping to refine our approach, and to Andrew Murphy for managing the publication process.

All views, along with any inaccuracies, errors or omissions, are those of the authors.

Executive summary

This report aims to expose the alchemy of successful civil service reform. We analyse four reforms seen as more or less successful in the past 25 years to understand what lay behind their success:

- Next Steps (1987-97)
- Bringing In and Bringing On Talent (1999-2002)
- Public Service Agreements and the Prime Minister's Delivery Unit (1998-2010)
- Capability Reviews (2005-12).

Each of these is internationally admired, often copied and adapted. Together with an additional review of a wider set of past and current reforms,¹ we developed a framework for understanding civil service reform and identified the key factors that lift or drag down a reform at various stages of its life.

What does 'success' look like?

These reforms are seen as a success, albeit to differing degrees, because they introduced beneficial changes that survived the rise and fall of the leaders, teams, structures and programmes that constituted the reform itself. We identified six areas where the reforms were seen to have left a positive impact by those we interviewed for the research:

1. A stronger sense of personal responsibility and accountability for delivery – whether of policies, projects, programmes or services.
2. The use of objectives, performance indicators and measurement to make progress transparent.
3. More open competition for senior roles and greater diversity of the Civil Service.
4. Greater value placed on the quality of leadership and management.
5. A more outward-facing organisation connected to other organisations, perspectives and ways of thinking to inform the policy development process.
6. Learning and adopting new ways of working, which outlasted the reform that introduced them.

But opportunities to accelerate, refresh and embed these impacts further were routinely missed. This is partly because senior officials and ministers do not see it as worth their while to support a reform agenda associated with their predecessors. But more fundamentally it reflects the fact that there is no permanent function in government responsible for absorbing learning and building on what has gone before. Even in those rare circumstances when attempts were made to rethink, refresh and develop the reform, efforts were often thwarted by difficulties in managing crucial transitions such as a change in leadership at the official or political level. Consequently even the legacy of these more successful reforms represents an underachievement.

Why do some reforms succeed?

The single most important finding of our research is that success depends on awareness, understanding and insight. In each of the reforms we explored, leaders understood the **context** and **environment** in which they were operating, set the **ambition** accordingly and had the right **leadership** and **reform**

¹ We conducted research on three current reforms to assess how well set they are to succeed over the long-term, and drew on previous Institute research on the Centre for Management Studies (1999-2005), seen as a less successful civil service reform attempt.

design in place to drive desired changes. For example, a reform that fundamentally challenges the federal structure of the Civil Service will need to be designed in a completely different way to a reform that aims to introduce some beneficial changes, but only in a selected number of departments or areas (see our framework for understanding civil service reform, Chapter 2).

This is, of course, easier said than done. Most officials tasked with getting a new reform up and running have little time to stand back, think and reflect on what their key goals are, the degree to which these goals challenge the existing paradigm, and what may help or hinder progress. As a result, most reform initiatives do not even take off, let alone have a desired impact when implemented.

So how did those leading the most successful phases of the reforms we look at overcome this default tendency? Our cross-cutting analysis identified 10 factors that lift or drag down a reform at different stages of its lifecycle. These are not prescriptive lessons, but offer insights and examples of effective models and practices to those starting out on a new reform agenda or attempting to refresh and reset one that is already under way.

Prepare and take-off

- **Clarity around the reform idea and purpose.** Achieving clarity of purpose is an obvious prerequisite for success. This involves creating a shared analysis of the problems and challenges. This is essential not only for establishing the need for reform, but in garnering wider support and engagement in design and delivery.
- **Personalised leadership.** A committed senior leader, who is seen to really own the reform idea, invests personal time and sticks with it, will send a signal that reform is important enough for officials to respond to. Leaders also need to have the leverage and permission to drive reform through. Although seniority can help with this, the leader must already have established their credibility, connections and ways of working within Whitehall.
- **The right degree of political support.** Being attuned to the concerns, interests and priorities of politicians is critical to making a sound judgement about the extent of political engagement required to make progress. It is important to remain aware of how political involvement can also hinder efforts; it may therefore be necessary to ‘disconnect’ the reform from particular politicians or parties.
- **Ambitious while connecting with departmental priorities.** However ambitious and far-reaching the reform is, leaders must test and improve the design so that it chimes with the prevailing interests, concerns and priorities of officials rather than challenging them directly. This is not a ‘nice to have’, but is critical to designing the right operating model, governance and incentives to drive desired changes.
- **The support, or at least permission, of the Treasury.** The Treasury can electrify, undermine or suffocate any reform; many see it as the missing leader of civil service reform. Active involvement may not be necessary, but the Treasury certainly has to ‘allow’ reform in order for it to happen. The time required to engage, persuade and reassure the Treasury should not be underestimated.

Deliver and refresh

- **A dedicated and diverse team to drive the vision and the model.** A dedicated unit should be established to drive the reform effort, but it must have the freedom and permission to develop the right reform design. Quality not quantity matters. Small, mixed teams containing people with experience, skills and connections outside Whitehall, *as well as* career civil servants, can strengthen the reform design, while maintaining focus, energy and momentum.
- **Balancing compulsion with collaborative values.** Leaders’ and their teams’ values and way of working are critical to combating the default assumption that they are ‘just another central unit’ that chases progress, but adds no value. Displaying empathy for departmental challenges and

working hard to address them in a collaborative way, while laying down firm rules, is critical to enhancing the credibility of the reform.

- **The right use of accountability and governance.** Counterintuitively, formal governance and programme management arrangements can act as a barrier, rather than an enabler of reform. Instead, personal accountability of ministers and officials for progress against reform goals must be integral to the reform design to encourage buy-in and action.
- **Managing critical transitions.** The continuation of a reform is highly dependent on its ability to weather significant transitions such as a change in leadership. A strong, competent central unit can provide stability during these periods, but there are critical moments when opportunities need to be seized in order to refresh, reinvent and develop the reform.

Embed, limp on or close down

- **Building a lasting coalition of leaders around reform.** The personal authority and credibility of a leader is critical to a reform ‘taking off’ early on, but the failure to broaden ownership to a wider group of civil service and political leaders at later stages can sow the seeds of decline. Leaders and their teams must actively develop a collective leadership coalition around the reform to prevent it from limping on, tailing off or being discarded.

What are the implications for today’s leaders of reform?

This report is a story about how individual reforms can succeed. The case studies are full of rich insights, lessons and examples about how past leaders overcame some of the difficulties of reforming the UK Civil Service. The framework in Chapter 2 can be used by today’s leaders to take stock of individual reforms and challenge how well set they are to succeed. It exposes critical gaps and offers insights and examples from past reforms of how those gaps can be addressed. Annex 2 sets out how to do this in practice.

However, all of these reforms end in failure of one sort or another. Most reform interventions have a shelf life and need to be reinvented – something that is rarely done well. We have seen time and again how incoming leaders, anxious to build their own reputation, grab the opportunity to invent something new rather than building on and improving what came before.

The result is a history of erratic, episodic and incoherent reform attempts, often unconnected to a broader vision about how the Civil Service should operate. The underachievement of swaths of reform over time (as opposed to individual reforms at a particular moment) seems to be the result of three systemic issues revealed by this, and previous, Institute research.²

1. Leadership is too personalised and fails to survive crucial transitions.
2. The role of ‘steward of the Civil Service’ is underdeveloped and somewhat contested.
3. There is an absence of a corporate leadership team to engage today’s and tomorrow’s leaders in developing a shared narrative of what the future Civil Service needs to look like and what is required to get there.

Taken together these issues describe a historic failing of institutional and corporate leadership. Any minister or official wishing to lead successful reform will need to overcome this weakness. Our report *Leading Change in the Civil Service* looks at the state of departmental and civil service reform after five years of austerity, and reinforces our conclusions that corporate leadership must change.³

That will be the hardest reform of all.

² Page, J., Pearson, J., Panchamia, N., Thomas, P., and Traficante, J., *Leading Change in the Civil Service*, Institute for Government, February 2014; Paun, A., and Harris, J., *Accountability at the Top: Supporting effective leadership in Whitehall*, Institute for Government, December 2013, retrieved 16 January 2014.
<http://www.instituteforgovernment.org.uk/sites/default/files/publications/Accountability%20at%20the%20top%20-%20final.pdf>

³ Page, J., Pearson, J., Panchamia, N., Thomas, P., and Traficante, J., *Leading Change in the Civil Service*, Institute for Government, February 2014.

1. Introduction

The unchanging appetite for reform

Civil service reform is a long-standing endeavour. It is of course simply a means to an end, which involves 'deliberate changes to the structures and processes of public sector organisations with the purpose of getting them to run better'.⁴ Christopher Pollitt and Geert Bouckaert's comparative analysis of public management reforms identified the following ends:

- making savings (economies) in public expenditure
- improving service quality
- making government operations more efficient
- increasing the likelihood that the chosen policies will be effective.

It also identified some intermediate ends: strengthening the control of politicians over the bureaucracy; freeing public officials from bureaucratic restraints that inhibit their opportunities to manage; and enhancing the Government's accountability to the legislature and citizenry for its policies and programmes.⁵

Symbolic and legitimacy benefits for leaders of reform include: being seen to be doing something (announcing reforms, criticising bureaucracy, praising new management techniques and restructuring ministries and agencies); and making a reputation or career from modernising and streamlining activities.

Over the course of the past five decades of reform, these ends and benefits are recognisable. Most prime ministers, cabinet secretaries, occasional commissions and select committee inquiries have argued for civil service reform at some point or another. The rationale has been remarkably consistent over the years, and calls for reform show no sign of abating (see Figure 1).

⁴ Pollitt, C., and Bouckaert, G., *Public Management Reform: A Comparative Analysis – New Public Management, Governance, and the Neo-Weberian State*, Oxford University Press, 2011, p. 8.

⁵ *Ibid.*, p. 8.

Figure 1: Themes and rationales for reform⁶

Skills and capability

1968: 'The Civil Service is no place for the amateur ... [it] has not recruited enough specialists ... many have received inadequate training (or none at all) in techniques of modern management.'

1988: 'There is a shortage of management skills and of experience of working in service delivery functions amongst senior civil services.'

2012: 'The old idea of a civil service "generalist" is dead – everyone needs the right combination of professionalism, expert skills and subject matter expertise ... 'capability and talent will need to be managed and deployed corporately across the Civil Service.'

Objectives, resources and management information

1988: 'Wherever measures of achievement can be established in quantitative or financial terms, and individuals held responsible for outputs and costs, accountable units should be set up ... 'Those engaged in administrative work ... should know what their objectives are and that their performance should be judged by their results ... management by objective.'

1970: 'Regular reviews will ... provide ministers with an opportunity to identify and discuss alternative policy options ... before decisions are taken on the expenditure programmes ... a greater emphasis on the definition of objectives ... expressing programmes ... in output terms.'

1988: 'The department's task is to set a framework which specifies policies, objectives, the results required, and the resources available ... ensure that indicators of effective performance are developed and used for regular monitoring ... ministers and civil servants must then stand back ... leaving managers free to manage.'

1988: 'There is still too little attention paid to the result to be achieved with the resources ... [The Public Expenditure Committee] is still overwhelmingly dominated by the need to keep within the levels of money available rather than by the effectiveness with which that money is used.'

2012: 'Centre of government lacks good, comparable and accurate information to judge whether departments are achieving [the best possible value for taxpayers' money]. Management information needs to be improved both within departments and for the whole of government.'

⁶ Fulton, Lord, *The Civil Service, Vol 1: Report of the Committee, 1966-68*, London, 1968, retrieved 16 January 2014; <http://www.civilservant.org.uk/fultonreport.shtml>; HM Government, *Reorganisation of Central Government*, London, November 1970; Jenkins, K., Caines, K., and Jackson, A., *Improving Management in Government: The Next Steps: Report to the Prime Minister*, February 1988; Cabinet Office, *Modernising Government*, London, March 1999; Cabinet Office, *The Civil Service Reform Plan*, June 2012, retrieved 15 January 2014. <http://www.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf>

Better, more joined-up policy-making

1968: *'Many of the [policy] problems will have implications extending beyond the boundaries of a single department ... there may need [to be] a measure of central direction if the emerging problems are to be tackled.'*

1970: *'Improve the framework within which public policy is formulated ... grouping of functions together in departments with a wide span so as to provide a series of fields of unified policy ... unified functions.'*

1999: *'Issues like crime and social inclusion can't be solved on a departmental basis.'* *'Policies too often take the form of incremental changes, rather than new ideas that take the long-term view and cut across organisational problems to get to the root of the problem.'*

2012 *'Improving delivery – delivery of major projects has been poor ... policy that is difficult to implement wastes time and money.'* *'Too often policy advice is drawn from too narrow a range of views and evidence, and does not ensure that policy is capable of practical implementation.'* *' ... go further in finding the most collaborative approaches to ... policy-making.'*

Openness to outside thinking and people

1968: *'We hope [our proposals will attract] graduates of the greater civic society and the newer universities ... a great flow of outsiders coming in ... to work in departments, and of civil servants going to take part in work outside.'*

1999: *'We want a more open service at all levels: recruitment, middle and senior. We need to expose ourselves more to wider thinking and new ideas... we must ... increase the number of secondments and involve people from other organisations in projects ... we must achieve greater diversity.'*

2012: *'The barriers between the private sector and the Civil Service must be broken down to encourage learning between the two. A greater interchange of people and ideas will help to narrow the cultural gap.'*

The role, structure and capacity of the centre of government

1968: *'There is ... a lack of confidence in the Treasury as the centre of Civil Service Management ... employing too few staff on this work.'*¹ *'Central management should be positively and creatively concerned with maintaining and improving the standards of the Civil Service ... a separate institution with a single-minded devotion to its own professional purpose.'*

1970: *'Central management of the Civil Service is patchy ... with too few staff and too little expertise.'*¹ *'[Create] a clear and comprehensive definition of government strategy ... [to] provide a framework within which collective policy decisions ... and policies for public expenditure ... are taken ... this is a new and formidable task.'*

1988: *'The Civil Service is too big and too diverse to manage as a single entity.'* *'The centre of government [is] fragmented... various central units pursued their own initiatives without regard to departments' own priorities: and ... sometimes the messages from the centre conflicted. There was no single voice of authority.'*

2012: *'There will be tighter control and oversight where collective action is needed for effectiveness and efficiency. This includes development and management leadership, talent, IT and property infrastructure, major projects carrying financial and operational risk, and procurement of common goods and services.'*

The size, structures and functions of the Civil Service

1968: 'The possibility of a considerable extension of "hiving off" should be examined ... we see no reason to believe the dividing line between activities for which ministers are directly responsible, and those for which they are not, is necessarily drawn in the right place.'

1970: 'Less government and better government, carried out by fewer people'. 'Government has been attempting to do too much.' '... better government, because the tasks to be done will be better defined, fewer in number, requiring fewer ministers and fewer civil servants to carry them out.'

1970: 'Reordering of responsibility for functions between departments ... the ministries of housing, local government, of public building and works and of transport will be unified in a single department of the environment ... set up a unified department of trade and industry.'

1988: 'The aim should be to establish a quite different way of conducting the business of government. The central Civil Service should consist of a relatively small core engaged in the function of servicing ministers and managing departments ... responding to these departments will be a range of agencies empowering their staff with clearly defined responsibilities.'

1999: 'We must not assume everything government does has to be delivered by the public sector ... looking hard but not dogmatically at what services government can best provide itself, what should be contracted to the private sector, and what should be done in partnerships.'

2012: 'The Civil Service will become smaller and more strategic. The organisational model will need to adapt ... much stronger corporate leadership model, and much more sharing of services and expertise ... it needs to use different delivery models where doing so will achieve better outcomes or lower costs.'

Why are some reforms more successful than others?

If the arguments for reform are familiar, so is the seeming failure of various plans, interventions and projects to fix the underlying problem – something that has frustrated generations of ministers, their advisers and Parliament.

'The whole nature of departments needs to be reconsidered ... Whitehall is failing not because civil servants are lazy or incompetent, but because in the current outdated structure no one could succeed.'⁷

Lord Browne, 2013

'The failure of whole functions of government is becoming commonplace ... I believe that the key concern for the state of the Civil Service must be the quality of leadership of our government administrative system.'⁸

Bernard Jenkin, 2013

'Progress has been too slow. There's a catch-22 whereby the very things we want to change make change harder to effect.'⁹

Francis Maude, 2013

Nonetheless, some reforms are seen to have successfully delivered improvements in the effectiveness and capability of the Civil Service. There was consensus among the senior officials we engaged with during this research that the following reforms had had a beneficial impact, albeit to differing degrees and strengths.

- the Rayner scrutinies (1979-83)
- the Next Steps report and the 'agencification' of the Civil Service (1987-98)
- Citizen's Charter and the subsequent focus on customers and service improvement in the delivery arms of government (1991)
- Bringing In and Bringing On Talent and subsequent efforts to improve diversity, talent management and career development in the Civil Service (1999-2002)
- Introduction of Public Service Agreements and the Prime Minister's Delivery Unit (1998-2010)
- Capability Reviews (2005-12).¹⁰

In addition, many felt that the following current reforms had already begun to have a beneficial impact and were likely to succeed over the long term:

- the Government Digital Service (GDS) and launch of gov.uk (2011-present)
- strengthening major project and programme delivery, including the creation of the Major Projects Authority (MPA) (2011-present)
- departmental boards and the reinvention of the role of non-executive directors (2010-present).¹¹

⁷ Institute for Government, 'Business and Government: Lessons Learned – in conversation with Lord Browne', June 2013, retrieved 15 January 2014. <http://www.instituteforgovernment.org.uk/events/business-and-government-lessons-learned-conversation-lord-browne>

⁸ Jenkin, B., 'Jenkin calls for parliamentary commission on the Civil Service', May 2013, retrieved 15 January 2014. <http://www.bernardjenkinmp.com/Parliament/jenkin-calls-for-parliamentary-commission-on-the-civil-service.html>

⁹ Cabinet Office, Press release: 'Improved accountability and more support for ministers', July 2013, retrieved 15 January 2014. <https://www.gov.uk/government/news/improved-accountability-and-more-support-for-ministers>

¹⁰ Lists generated and tested through interviews conducted for this report and two private IfG workshops.

Why did these reforms succeed? After 160 years of reform there must surely be a body of work that can answer that question? Our preliminary review of the literature found that some historical and theoretical accounts can offer valuable insights into the alchemy of successful reform. In particular, Rodney Lowe's official history of the Civil Service provides a careful account of nearly 130 years of reform dating from Northcote-Trevelyan (1854), through to Fulton (1968) up until 1981.¹² He demolishes the myths and misconceptions that surround better-known reforms, combining a rehabilitation of the more notable thinking that led to Edward Heath's reorganisation of central government with a somewhat brutal reappraisal of the Fulton Committee: 'an assault on the whole-time gifted amateurs of Whitehall by a part-time group of gifted amateurs ... an ad hoc investigation by a number of uncommitted gentlemen meeting about once a week for three years'.¹³

His detailed account of reform reveals the complex, often private and painfully slow evolution of ideas inside and outside government. The crucial role of particular personalities in nurturing or puncturing reform ideas is striking – whether politicians, civil servants, advisers or thinkers. There is almost nothing in current reforms that has not already been turned over repeatedly in the previous century.

The generic business literature provides a more practical source of guidance on leading change, expressed in a way that is intelligible and seemingly applicable. One of the most influential examples is John Kotter's framework based on an eight-step change model.¹⁴ While this literature provides some useful, actionable insights, it does not fully capture the reality of reforming the Civil Service as exposed by Lowe's history.

First, the assumption that leaders have substantial agency over the reform process does not square with the federal structure of the Civil Service and the relatively weak position of the centre (No. 10 and the Cabinet Office). Although the centre exerts some influence over management and policy issues, departments in Whitehall enjoy a high degree of autonomy reinforced by siloed budgets and vertical decision-making and accountability mechanisms.

Second, the *dual leadership* of departments headed by both a secretary of state and permanent secretary means that, in practice, there is no single leader with the authority, levers or control to drive change.¹⁵ As we argued in our report *Transforming Whitehall*, 'ministers' political incentives are not always aligned with running a department efficiently and effectively. And turnover on both sides of the leadership divide can make it difficult for departments to stick to a consistent direction of travel.¹⁶ This makes leading and managing change *within* departments highly challenging, let alone *across* the Civil Service.

Third, standard change models tend to underplay the critical role of context and timing. What may work in some cases may be unnecessary, or even undesirable, in others. For example, strong leadership may not be as critical to a small-scale reform initiative as it would be to a highly ambitious one, while political sponsorship may be highly significant, and far more likely, at the start of a new electoral term, but fatal

¹¹ Ibid.

¹² Lowe, R., *The Official History of the British Civil Service: Reforming the Civil Service*, Routledge, 2011.

¹³ Economist commenting on the publication of the Fulton report, cited in Lowe, op. cit., p. 128.

¹⁴ Kotter, J., *Leading Change*, Harvard Business School Press, 1996. His eight-step change model: 1) Create urgency; 2) Form a powerful coalition; 3) Create a vision for change; 4) Communicate the vision; 5) Remove obstacles; 6) Create short-term wins; 7) Build on the change; 8) Anchor the changes in corporate culture.

¹⁵ Page, J., Pearson, J., Jurgait, B., and Kidson, M., *Transforming Whitehall: Leading major change in Whitehall departments*, Institute for Government, November 2012, p. 7.

¹⁶ Ibid.

towards the end of one – given the desire of incoming governments to break free from their predecessors.

These assumptions, which lie behind so much advice to leaders on how to execute civil service-wide reforms, are at best partial, at worst misleading. It is unsurprising, then, that successive attempts to reform have often stalled, gone off track or failed to change the effectiveness of the Civil Service.

Pollitt and Bouckaert's comparative review of public management reforms in 12 countries provides a strong foundation for understanding the nature of reform.¹⁷ They unpick the reality of reforms, where reform ideas come from, and above all how they interact with the context and culture. Although the drivers and content of reform are similar around the world, the UK stands out as perhaps the most hyperactive, impatient and experimental. Here, comprehensive reform schemes are the exception rather than the rule.

'Typically there is no single design or designer. There are just lots of localised attempts at partial design cutting across one another ... It is easy to exaggerate the degree of intentionality in many reforms.'¹⁸

Yet there are virtually no accounts that capture the messy business of reforming the UK Civil Service, while also providing practical guidance on how to do it successfully. As Lowe succinctly put it: '*The Civil Service's recent history remains a no man's land ... between history and political science.*'¹⁹

Our research aims and methods

This provided the impetus for an in-depth piece of research on civil service-wide reform in the UK. In this report we aim to close the gap between theory and reality by:

- exploring successful civil service-wide reforms and identifying the factors that were material to success
- extracting actionable insights for leaders of current and future reforms.

This builds on previous Institute for Government research on how to lead change in the Civil Service. We have conducted research on past attempts to reform the Civil Service²⁰ and civil service capabilities, a recurring theme in successive reform plans.²¹ We have also facilitated a number of private roundtables and workshops on transforming the Civil Service and had close insight into the workings and governance around the most recent reform plan (2012).²² Alongside this, we have conducted real-time evaluations of how effective leaders have been in managing changes within their own departments.²³

¹⁷ Pollitt and Bouckaert, op. cit.

¹⁸ Ibid., p. 34.

¹⁹ Lowe, op. cit., p. 3.

²⁰ Haddon, C., *Reforming the Civil Service: The Efficiency Unit in the early 1980s and the 1987 Next Steps Report*, Institute for Government, May 2012; Haddon, C., *Reforming the Civil Service: The Centre for Management and Policy Studies, 1999-2005*, Institute for Government, July 2012.

²¹ Kidson, M., *Civil Service Capabilities: A Discussion Paper*, Institute for Government, June 2013.

²² Thomas, P., *Civil Service Reform: Seven Crucial Tests for the New Reform Plan*, Institute for Government, June 2012; Thomas, P., *Civil Service Reform: Our verdict on the new reform plan*, Institute for Government, June 2012; Thomas, P., Kidson, M., and Wright, W., *Civil Service Reform: One Year On*, Institute for Government, July 2013.

²³ Page, J., McClory, J., and McCrae, J., *Transformation in the Ministry of Justice: 2011 Interim Evaluation Report*, Institute for Government, June 2011; Page, J., Pearson, J., Jurgeit, B., and Kidson, M., *Transforming Whitehall: Leading major change in Whitehall departments*, Institute for Government, November 2012; Pearson, J., Page, J., Hughes, N., McDonough, C., *Leading change in the Department for Education: First Report on Progress*, Institute for Government, November 2013.

This programme of work has confirmed the complications intrinsic to reforming the UK Civil Service, but also that it can be done effectively. The problem is that success rarely gets as much attention as failure, which means that past lessons often go unacknowledged. The weak corporate memory of the Civil Service only exacerbates this problem. So we decided to focus on four past reforms seen to be successful to varying degrees.

- Next Steps (1988-97)
- Bringing In and Bringing On Talent (1999-2002)
- Public Service Agreements and the Prime Minister's Delivery Unit (1998-2010)
- Capability Reviews (2005-12).

These cases were selected to provide variety in terms of why the reform initiative emerged; when it was formally introduced; what it aimed to achieve; and how it was operationalised – i.e. the different methods that were used to achieve reform aims.

The research drew on the following:

- a literature review of academic articles, consultancy and think-tank reports, select committee findings and government policy documents and evaluations (a full bibliography is provided at the end of the report)
- 34 interviews with key officials, politicians and experts involved in past, and current, civil service-wide reforms
- 21 interviews with senior officials and non-executive directors involved in departmental changes with a perspective on civil service-wide reform
- workshops and selected interviews with senior civil servants, ministers and other commentators to test findings and conclusions.

This report provides the full account of our analysis and conclusions. Alongside this, we are simultaneously producing a paper *Transforming Whitehall: One Year On*, which provides an update of our research on leading major organisational change in departments.²⁴ Both of these feed into our report *Leading Change in the Civil Service*, which brings together our combined evidence and analysis to provide an overview of how well placed the Civil Service is in the run-up to the challenge of the 2015 Spending Review following the next general election.²⁵

Structure of this report

This report comprises three main sections.

The first section presents our analytical framework, which consists of four elements key to understanding civil service reform. (One element – reform design – is broken into three constituent elements). These four elements are:

1. Ambition
2. Context and environment
3. Leadership
4. Reform design

²⁴ Pearson, J., Page, J., and Traficante, J., *Transforming Whitehall: One Year On – The challenges of departmental reform in Whitehall*, Institute for Government, February 2014.

²⁵ Page, J., Pearson, J., Pancharia, N., Thomas, P., and Traficante, J., *Leading Change in the Civil Service*, Institute for Government, February 2014.

- connections, engagement and relationships
- operating model
- governance and incentives.

We also explore what is meant by impact, success and legacy for civil service reform.

The second section presents the case studies we investigated:

- Next Steps (1988-97)
- Bringing In and Bringing On Talent (1999-2002)
- Public Service Agreements (1998-2010)
- Capability Reviews (2005-12).

Each case provides a selective overview of the key phases, critical moments and transition points across the four elements, as well as insights into why some reform phases led to lasting improvements, while others never quite took off or, at worst, produced undesirable consequences.

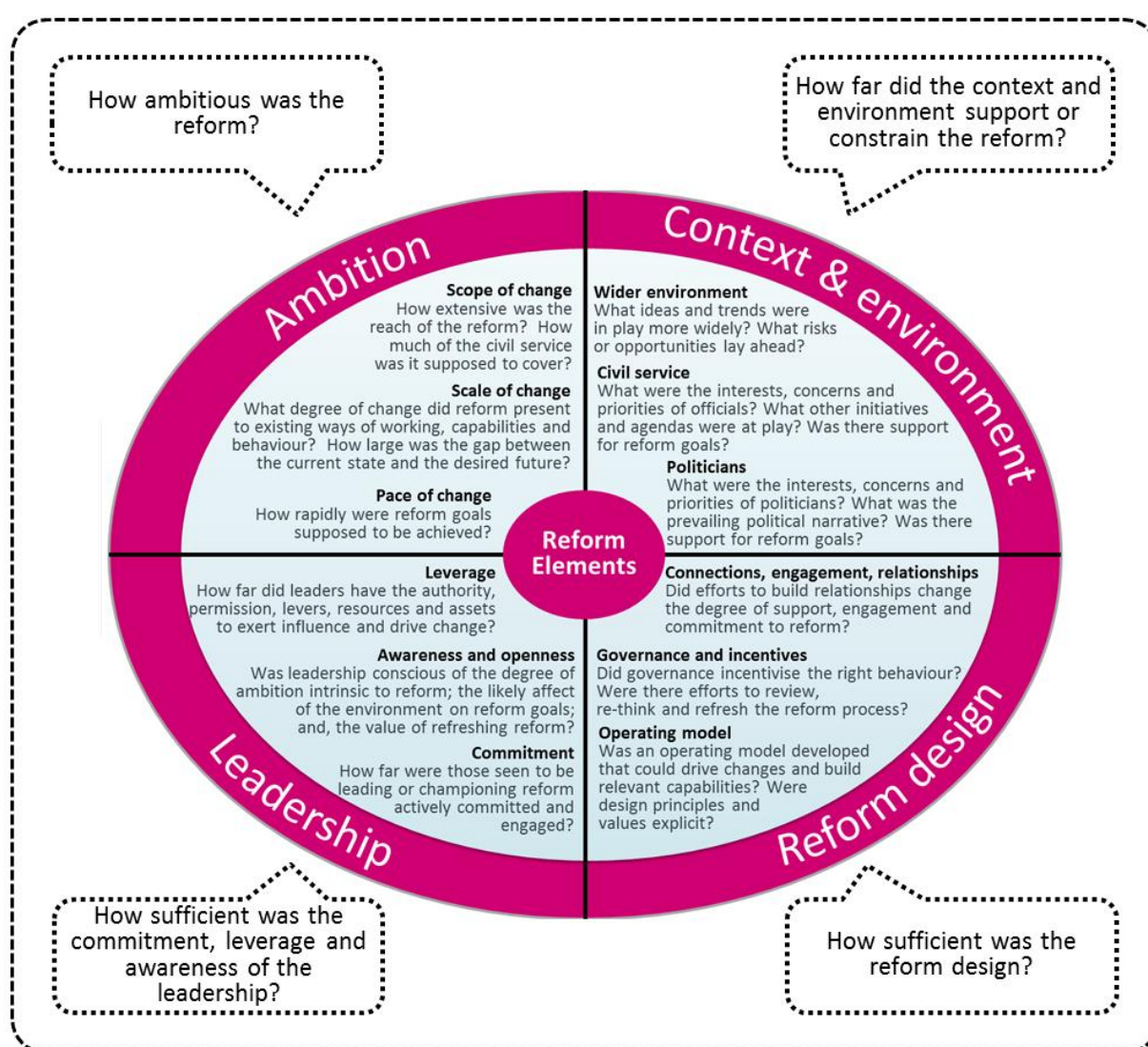
In the third section, we bring together our cross-cutting analysis and insights to provide lessons for current, and future, leaders of reform on how they can improve their prospects for success over the coming years.

2. The key elements of reform

Our framework for analysing reforms

Given the fragmented and non-linear nature of reform in the Civil Service, it is tempting perhaps to conclude that individual reforms are just that – individual and non-comparable. But during the course of this project, the Institute created a framework for examining civil service reform that is flexible enough to accommodate diversity, while providing a common means by which to take stock of a particular reform and assess its prospects for success.

Figure 2: Our framework for analysing reforms



Source: Institute for Government analysis

This was developed through an iterative process. We reviewed the management theory, political science, sociological, historical and consultancy literature to develop an outline hypothesis that formed the basis

of our case study research.²⁶ This was regularly reviewed, refined and recategorised during the research process, which led us to develop a framework anchored around four key elements (see Figure 2).

1. Ambition
2. Context and environment
3. Leadership
4. Reform design:
 - connections, engagement and relationships
 - operating model
 - governance and incentives.

In addition, we explore what is meant by success, impact and legacy for each reform.

The framework can be applied to each new phase of a reform, signalled by a profound change in the level of ambition or leadership, or in the operating model for achieving reform goals. It has been tested against our four case study reforms; one reform seen to be less successful, which has been researched by Catherine Haddon, the Institute's resident historian – the Centre for Management and Policy Studies (CMPS),²⁷ and three reform actions in the 2012 Civil Service Reform Plan.²⁸ We have validated it through interviews with selected experts and practitioners, a series of internal Institute review sessions and a private workshop with leaders of current civil service reforms.

At first sight, our framework for analysing reform may appear obvious. All the usual suspects are there – leadership, environment and governance – but we argue that these do not by themselves tell you about likely success or failure. So a highly ambitious reform is not necessarily doomed to failure, while a supportive environment won't always make reform easy. This is illustrated by a comparison of the Next Steps initiative and CMPS. The former was highly ambitious – hiving off 75% of civil servants into agencies – and jarred with the interests of the Treasury, unions and many senior civil servants. Yet it is widely seen as a success (although there are inevitably differing interpretations of *how* successful it was). On the other hand, CMPS was much less ambitious – improving the training and development of senior civil servants – and could have kept up with the political interest in cross-cutting strategic issues and delivery (but failed to do so). Despite this more modest ambition and more conducive environment, CMPS is regarded as a failure by many of those involved.²⁹

What matters is the *interaction* between elements. The critical question is how effective was the leadership and reform design *in relation* to the ambition intrinsic to the reform, and the environment in which it was introduced? In other words, was the leadership and reform design a sufficient and effective means of driving the desired changes?

This approach recognises that the extent to which different elements of civil service reform are needed depends on the degree of ambition and the prevailing environment at any particular point. For example, a reform that fundamentally challenges the federal structure of the Civil Service will require a completely different type of leadership to a reform that aims to introduce some beneficial changes, but only in a selected number of departments or areas.

²⁶ Full list provided in the bibliography.

²⁷ Haddon, C., *Reforming the Civil Service: The Centre for Management and Policy Studies, 1999-2005*, Institute for Government, July 2012, retrieved 15 January 2014. <http://www.instituteforgovernment.org.uk/sites/default/files/publications/CMPS%20in%20template%20FINAL.pdf>

²⁸ Cabinet Office, *The Civil Service Reform Plan*, June 2012, retrieved 15 January 2014. <http://www.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf>

²⁹ Haddon, op. cit., p. 5.

Taking stock of reforms: our rating system

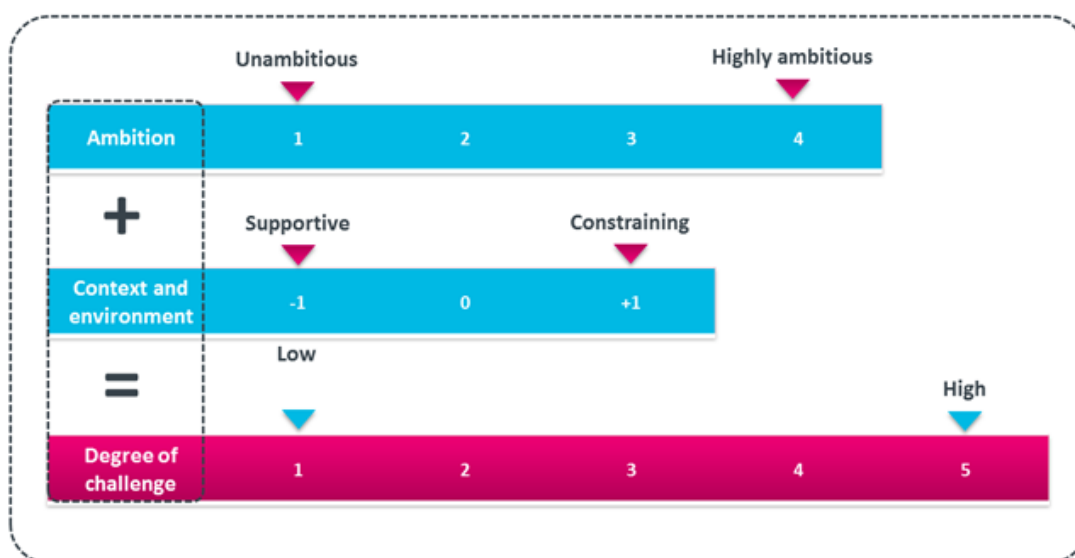
This framework can be used to take stock of a reform at any particular point to assess its prospects for success. We did this for each of the main phases we identified for our case study reforms. First, we rated the ‘ambition’ and ‘context and environment’ for each reform phase.

- ambition was rated on a 1 to 4 scale with 1 being unambitious and 4 being highly ambitious
- context and environment was rated on a -1 to +1 scale with -1 being a highly supportive environment and +1 being a highly constraining environment.

These scales reflect the higher weighting we gave to the intrinsic ambition of the reform.

These scores were combined to produce a single ‘degree of challenge’ rating, ranging from 0 (unchallenging) to 5 (highly challenging).³⁰ See Figure 3.

Figure 3: Rating scales



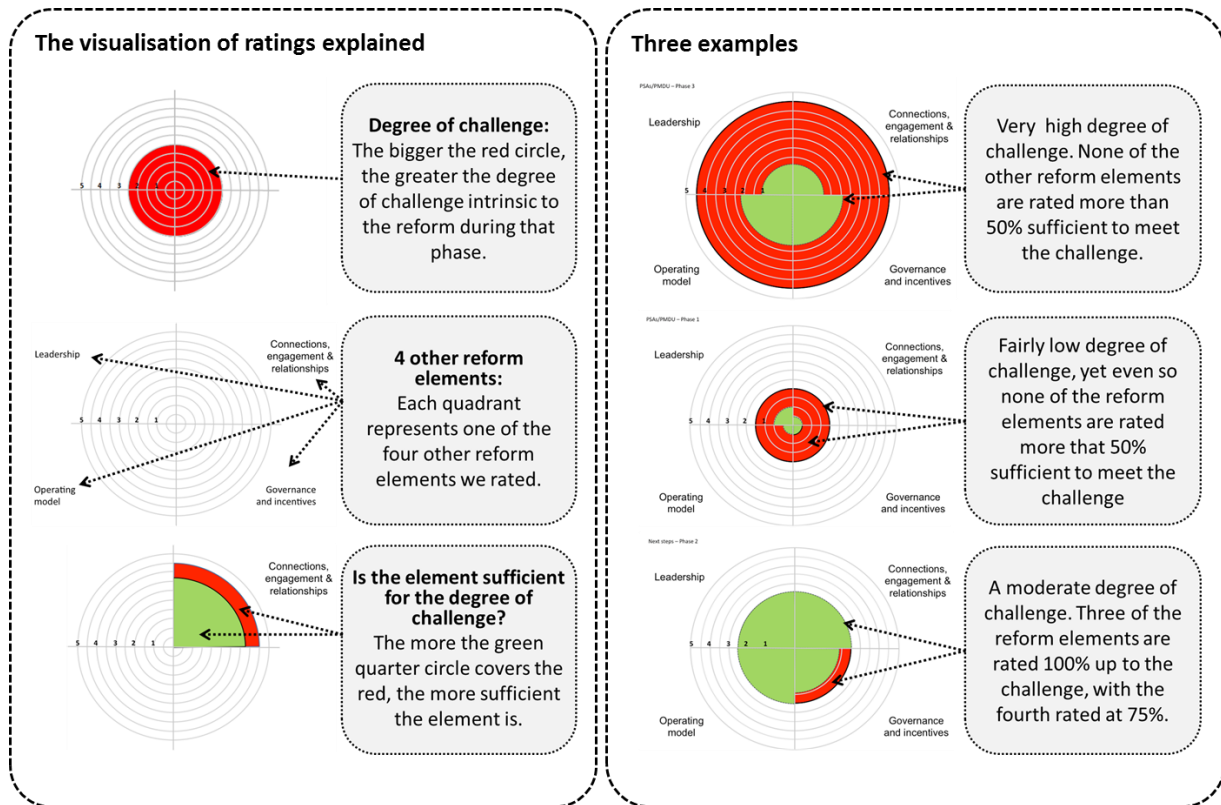
Source: Institute for Government analysis

The other elements were rated *in relation* to the combined ‘degree of challenge’ rating. In other words, how far were they sufficient and effective enough to deliver the reform? For reform design, the three constituent elements were rated separately, given how important they turned out to be in explaining successful reforms.

Their sufficiency was rated as a percentage – 25%, 50%, 75% or 100% – with 100% obviously indicating that the elements are entirely sufficient for the degree of challenge intrinsic to reform. We developed a means to visualise these scores to expose patterns and differences, outlined in Figure 4. (See Annex 1 for a table of the raw ratings for each reform phase.) One was produced for each phase of each reform. They are presented in the case study chapters that follow to show how the degree of challenge and relative sufficiency of the other elements developed over the lifecycle of each reform.

³⁰ For example, if a reform phase was moderately ambitious and the environment generally supportive, it would be rated 2 and -1 respectively. This would produce an overall ‘degree of challenge’ rating of 1.

Figure 4: Visualising our ratings of the key reform elements



Source: Institute for Government analysis, November 2013

The elements explained

Ambition

We analysed the level of ambition intrinsic to reform along three dimensions:

- scale of change: what degree of change did reform goals present to existing ways of working, capabilities and behaviours in the Civil Service (i.e. how large was the gap between the existing state and the desired future)?
- scope of change: how much of the Civil Service was the reform supposed to cover?
- pace of change: how rapidly was reform supposed to be achieved?

Context and environment

We analysed how supportive or constraining the context and environment were along three dimensions:

- Civil Service: what were seen to be the interests, concerns and priorities of officials? Were there any other initiatives and agendas at play? Was there any explicit (or implicit) support or challenge for reform goals?
- politics: what were seen to be the interests, concerns and priorities of politicians? What was the prevailing political narrative and ideology? Was there any explicit (or implicit) support or challenge for reform goals?
- wider environment: what new ideas, evidence or trends were developing more widely? Were

there any significant events? Were there any foreseeable risks and opportunities (e.g. general election)?

Leadership

Most accounts of large-scale organisational change focus on the need for committed leadership.³¹ Few, however, articulate what this means in practice. We argue that there can be a spectrum of positions ranging from: active involvement, advocacy and follow-through; to giving permission for reform but having little ongoing personal involvement; to formal ‘ownership’ of reform, but doing no more than is necessary to help the agenda tick along.

However, commitment alone is insufficient, given the relatively weak controls the centre has over departments to drive reform. The leverage – that is, the authority, permission, levers, resources and assets a leader or owner has to exert influence and drive change – is highly important. This can stem from the position of the leader in the formal hierarchy (No. 10, the Treasury, the Cabinet Office or department) or their approach, personality, connections and experience – or a combination of these.

An overlooked element of leadership is awareness and openness. How far are leaders sufficiently aware of the ambition intrinsic to reform and the implications this has for the way reform should be shaped and led? And how far are leaders open to honest challenge and evaluation of the progress and prospects for their reforms – and prepared to change course? This awareness can often be informed by a strong grasp of the lessons from previous reforms. For example, Sir Richard Wilson, Cabinet Secretary from 1999 to 2002, was attuned to the fact that previous reform initiatives had been viewed as ‘central diktats’; he thus appointed an enthusiastic serving permanent secretary, Sir David Omand (Home Office), to lead on the Bringing In and Bringing On Talent strand, which devolved ownership of the agenda to departments themselves (see Chapter 4).

Reform design

1. Connections, engagement and relationships

Building a coalition around reform is a staple of change advice. We look at how aware leaders were of the degree of support for or challenge to their reforms and whether they did enough to create the necessary connections, support and relationships to get the reform off the ground. For example, in Next Steps, substantial time and energy was invested in negotiating with the Treasury to secure its support for the agenda. This was critical to getting the reform off the ground (See Chapter 3). In Capability Reviews, engagement was designed into the process from the outset and senior officials were actively involved in co-producing the method for conducting reviews. This ensured that there was broad support for the aims and approach of the reviews (see Chapter 6).

³¹ For example, see Fernandez, S., and Rainey, H., ‘Managing Successful Organisational Change in the Public Sector: An Agenda for Research and Practice’, *Public Administration Review*, vol. 66, no. 2, April 2006; Kotter, J., *Leading Change*, Harvard Business School Press, 1996; McKinsey & Company, ‘What successful transformations share: McKinsey Global Survey results’, March 2010, retrieved 15 January 2014; http://www.mckinsey.com/insights/organization/what_successful_transformations_share_mckinsey_global_survey_results OECD, *Making Reform Happen: Lessons from OECD Countries*, 2010, retrieved 15 January 2014. <http://www.oecd.org/inclusive-growth/Making%20Reforms%20Happen%20Lessons%20from%20OECD%20Countries.pdf>

2. Operating model

What resources, people, structures, procedures and practices were established to drive changes and build relevant capabilities? An often neglected, but crucial, element is the extent to which there were any explicit design principles, values or ways of working that underpinned the model. For example, the Prime Minister's Delivery Unit (PMDU) used a whole host of tools and processes such as the stocktake process, trajectories, priority reviews and delivery reports, which maintained a constant pressure on senior officials to improve delivery. The values and ways of working from the centre were intentionally different from the norm: the emphasis was on sharing responsibility for progress and working collaboratively with departments to solve problems rather than just telling them what to do (see Chapter 5).

3. Governance and incentives

Governance relates to the accountability arrangements, reporting lines, decision-making and monitoring processes used to encourage desirable behaviour. It also includes the extent to which there was a conscious attempt to review, rethink and refresh the reform process (either formally or informally). In Capability Reviews, regular stocktake meetings with Sir Gus O'Donnell, then Cabinet Secretary, made permanent secretaries directly accountable for the capability of their departments, which incentivised them to improve. Additionally, every department was scored and benchmarked against the others, which injected competitive pressure between senior officials and maintained a constant pressure for improvement (see Chapter 6).

Impact, success and legacy

The most obvious measure of success is whether the reform was implemented effectively in the timeframe intended. But whether this actually led to reform aims and targets being achieved is more important. In most of our case studies, there are some reasonably objective measures that indicate progress against this criterion. For PMDU, the measures for each Public Service Agreements (PSAs) target show whether delivery improved and the targets were met. Incontrovertible demographic data shows that Bringing In and Bringing On Talent (known as Bilbo), and the efforts that followed it, fundamentally changed the 'look' of the Civil Service within a short space of time. In 1998, 17.8% of the Senior Civil Service were women; by 2000, this had increased to 21.5%, and by 2003 the figure was 26.4%.³² For other reforms, measures and targets are less helpful.

Although these are important indicators, they do not capture whether the reforms left a positive, lasting legacy. The Next Steps target of hiving off more than 75% of the Civil Service into agencies became the sole measure of success for many of those involved. But Next Steps aimed for much more: a management revolution in the remainder of Whitehall as well as in the agencies delivering services. That is much harder to assess.

So we try to assess the degree to which the reform was (and is) *seen* to have fundamentally transformed the way the Civil Service operates for the better, by introducing new behaviour, attitudes, routines, assets and ways of working. Tranfield et al. (2000) define organisational routines as 'repetitive patterns of activity that constitute the ways in which the organisation has learned to co-ordinate its activities'. He distinguished 'enabling routines', which underpin continuous improvement and even transformation, from 'defensive routines', which perpetuate the status quo.³³ It is the degree to which people take on new

³² Owen, S., 'International Women's Day 2012', presentation, Department for Work and Pensions, 8 March 2012.

³³ Tranfield, D., Duberley, D., Smith, S., Musson, G., and Stokes, P., 'Organisational Learning – it's just routine', *Management Decision*, vol. 38, issue 4, 2000, pp. 253-60.

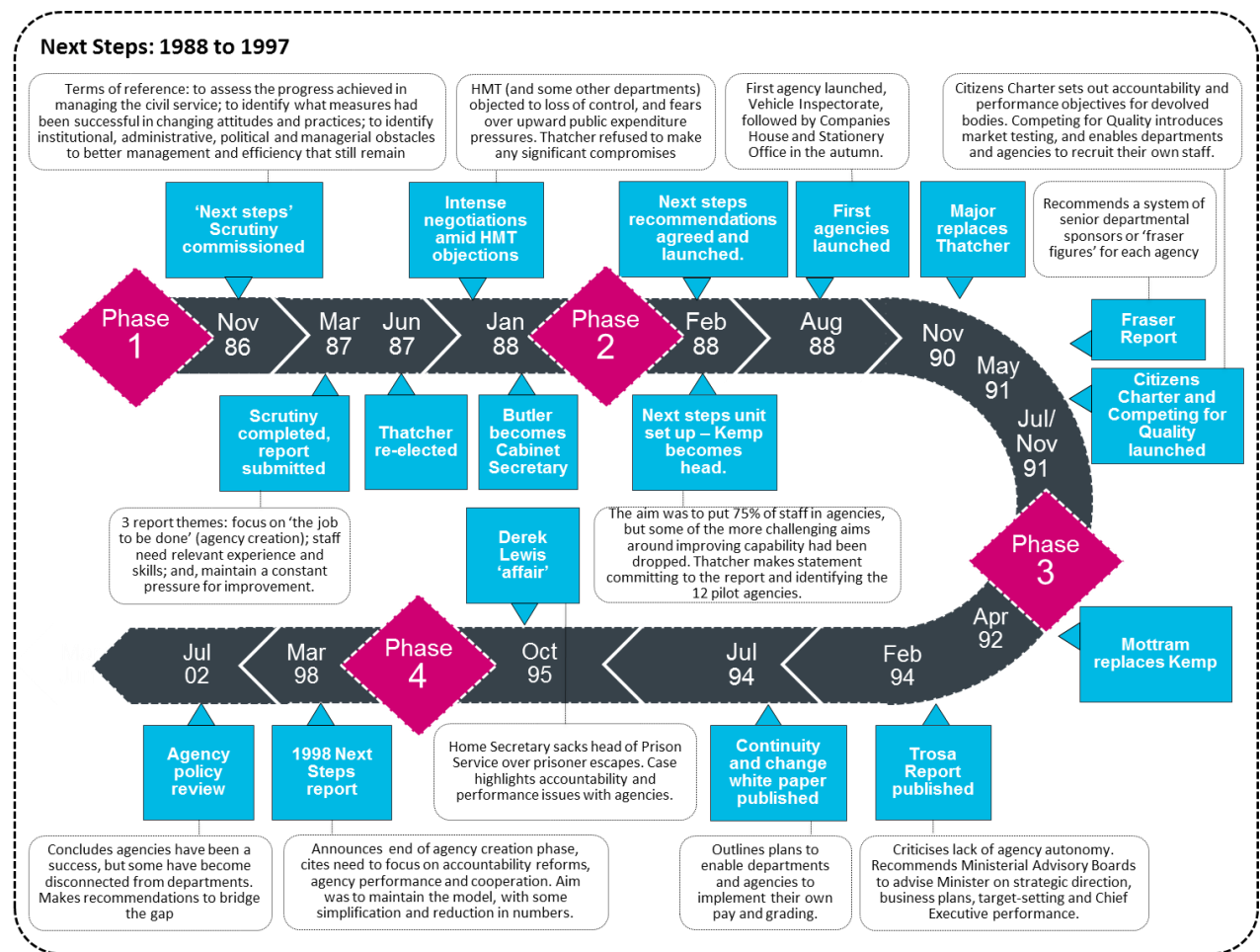
(transformative) routines and apply, evolve and teach them to others that we are most interested in. For example, the PMDU/PSA model fundamentally changed many senior leaders' perception of their job and made them *fee*/ responsible for delivery. Although it did not survive a change in government in 2010, officials nonetheless continue to draw on the same tools, techniques and experiences today (see pp. 62-64).

Another indicator of legacy is the reform becoming regarded as 'best practice' and emulated elsewhere; or where those who initially opposed the reform end up becoming supporters and advocates of the process. The Capability Reviews model was emulated elsewhere in government, in strategic health authorities and in some arm's-length bodies, and copied lock, stock and barrel in Australia (see p. 75).

3. Next Steps

The Next Steps initiative is seen as one of the two or three key reform moments in the development of the Civil Service. It was a direct consequence of the ‘lasting reforms’ agenda of Sir Derek (later Lord) Rayner (Margaret Thatcher’s efficiency adviser) in the early 1980s. For good or ill it has fundamentally changed the shape and mind-set of the Civil Service – not just within the agencies it created, but across the remainder of Whitehall. Subsequent reforms – Bringing In and Bringing On Talent, Public Service Agreements and the Prime Minister’s Delivery Unit, and Capability Reviews – drew explicitly and heavily on the lessons from this approach to change in the Civil Service, and they could not have happened without it.

Figure 5: Timeline of Next Steps, 1986 to 2002



Source: Institute for Government analysis

Origins: Refreshing the Efficiency Scrutinies (1986-87)

During the late 1970s and the 1980s, the Thatcher Government was committed to making major cuts in public expenditure and finding ways of saving money in departments. In 1979, Thatcher appointed Rayner, then joint managing director of Marks & Spencer, as her personal adviser on improving efficiency and effectiveness in government. He immediately established the Efficiency Unit and, soon after, the 'scrutinies' began. These aimed to identify and cut those functions, systems and processes that were seen to be wasteful or unnecessary, in the hope that this would help generate efficiency savings.³⁴ This paved the way for Rayner's lasting reforms agenda. Meanwhile, in 1982, the Financial Management Initiative (FMI) was introduced, which was a large-scale review of departmental systems of managerial responsibility, financial accounting and control. This began to instil a new concern for management and laid the groundwork for later reforms. By the mid-1980s, however, there was a sense that the scrutinies and FMI had not delivered the required changes.³⁵

Sir Robin Ibbs, who succeeded Rayner as head of the Efficiency Unit and adviser to the Prime Minister, commissioned the Next Steps report 'to assess the progress achieved in managing the Civil Service; to identify what measures had been successful in changing attitudes and practices; to identify institutional, administrative, political and managerial obstacles to better management and efficiency that still remain; and to report to the Prime Minister on what further measures should be taken'.³⁶

The scrutiny process began in November 1986 and was led by Kate Jenkins, a member of the Efficiency Unit and later its chief of staff. The team was given 90 days to complete the scrutiny. This involved conducting more than 150 interviews, including 21 ministers (covering most of the Cabinet), 26 permanent secretaries, 26 Grade 2s/deputy secretaries, a number of personnel and finance directors, nationalised industry chairmen, and staff in local and regional offices. The team collated views on how effective previous initiatives had been in improving management, what measures had helped the most, what obstacles remained and what future improvements were needed.³⁷

Following the scrutiny process, the team led a collaborative, iterative design process. A group of five or six 'most senior' permanent secretaries, led by Sir Robert Armstrong, then Head of the Civil Service, were closely involved in testing and developing their emerging ideas.³⁸ They included Sir Kenneth Stowe (Department of Health and Social Security to 1987, then Cabinet Office), Sir Brian Cubbon (Home Office) and Sir Clive Whitmore (Ministry of Defence).³⁹ At this stage, many senior officials didn't seem to understand the full implications of the process and where it was going. Partly because of its seemingly non-threatening nature, they allowed the team access to information they might not otherwise have disclosed.⁴⁰

³⁴ Haddon, C., *Reforming the Civil Service: The Efficiency Unit in the early 1980s and the 1987 Next Steps report*, Institute for Government, May 2012, retrieved 15 January 2014.

<http://www.instituteforgovernment.org.uk/sites/default/files/publications/Efficiency%20Unit%20and%20Next%20Steps.pdf>

³⁵ *Ibid.*, p. 15.

³⁶ Jenkins, K., Caines, K., and Jackson, A., *Improving Management in Government: The Next Steps: Report to the Prime Minister*, February 1988.

³⁷ Haddon, *op. cit.*, p. 17.

³⁸ Jenkins, K., in Kandiah, M., and Lowe, R. (eds), *The Civil Service Reforms of the 1980s*, CCBH Oral History Programme, 2007, p. 110.

³⁹ Wilson, R., in Kandiah and Lowe, *op. cit.*, p. 112.

⁴⁰ Jenkins, K., in Kandiah and Lowe, *op. cit.*, p. 107.

Phase 1: Taking forward the conclusions of the scrutiny process (1987-88)

In March 1987, the scrutiny was completed and a draft of the Next Steps report was submitted and discussed with Thatcher. The report outlined three strands of activity:

- the ‘need to focus on the job to be done’
- staff should have relevant experience and skills
- maintaining constant pressure for improvement.⁴¹

The implications of the report were far-reaching. First, it recommended hiving off the delivery functions of Whitehall into autonomous arm’s-length agencies, which would involve transferring around 75-95% of the existing Civil Service out. Second, it recommended changing the skills and management of what remained of the Whitehall machine. Third, it recommended retaining a unit in the centre of government to maintain an institutional pressure for reform. Together, these implied fundamentally changing the ‘bone structure’ of Whitehall and transforming the way officials conceived of their core functions and responsibilities.⁴²

While progress was made on all three strands (e.g. the Top Management Programme was established to train Whitehall officials in management),⁴³ only the first strand – agencification – was pursued with any vigour.⁴⁴ This chimed with the concerns of middle managers and articulated their frustration with constraining central rules, but generated ambivalence, resistance and even outright hostility from other quarters.⁴⁵

Thatcher was reportedly wary, primarily because of the enormity of the proposed change and the prospect of Treasury hostility. She did, nonetheless, broadly support the direction of travel.⁴⁶ She felt increasingly frustrated with permanent secretaries ‘who had made such a mess of “the dinner” in May 1980’,⁴⁷ and thought that the policy would ‘benefit the rank and file’.⁴⁸ In the end, prime ministerial approval meant that Ibbs and Jenkins had significant leverage and influence to drive through the conclusions of the scrutiny process.⁴⁹

The Treasury, as expected, was highly resistant, fearing a loss of control over public finances and upward pressure on agency expenditure. The first protest came during the report-writing phase in February 1987, and matters became really serious in the summer of 1987 when it suspended co-operation with the process, causing something of a hiatus. Nigel Lawson, then Chancellor, and Sir Peter Middleton, then Permanent Secretary to the Treasury, campaigned hard to block the publication.⁵⁰

⁴¹ Jenkins, K., Caines, K., and Jackson, A., *Improving Management in Government: The Next Steps: Report to the Prime Minister*, February 1988, p. 8.

⁴² Civil Service Reform (hereafter, CSR), interview 22.

⁴³ CSR, interview 27.

⁴⁴ Jenkins, K., and Gold, J., *Unfinished Business: Where next for Executive Agencies?*, Institute for Government, July 2011, pp. 26-8.

⁴⁵ CSR, interview 23.

⁴⁶ Jenkins, K., in Kandiah and Lowe, op. cit., p. 118.

⁴⁷ Soon after Margaret Thatcher came to power, she held a dinner for permanent secretaries at No. 10 at which it was hoped that a better understanding might be achieved between her and civil servants. The evening proved to be a disaster and merely persuaded the Prime Minister that very few of the permanent secretaries were ‘one of us’. She ended the dinner unexpectedly early.

⁴⁸ Kemp, P., in Kandiah and Lowe, op. cit., p. 116.

⁴⁹ Wilson, R., in Kandiah and Lowe, op. cit., p. 121.

⁵⁰ Kandiah and Lowe, op. cit., pp. 126-30.

Opposition was not confined to the Treasury, but came from all fronts: the No. 10 Policy Unit, Thatcher's principal private secretary and press secretary, some ministers (including John Major), unions and permanent secretaries.⁵¹ While some senior officials welcomed the opportunity to free themselves from management and delivery concerns, others feared the consequences of losing control over whole sections of their department.⁵² Unions were similarly divided – some feared it was a first step towards extensive privatisation, while others saw it as an opportunity to out-negotiate management on staff pay and conditions, as the Treasury feared.⁵³

Treasury support was essential to taking the agenda forward. However, Thatcher, under the advice of Ibbs and Armstrong, refused advice from the head of the No. 10 Policy Unit, her chief of staff and her principal private secretary to make any significant compromises that would alter the substance of the report. This resulted in a long battle with the Treasury, which delayed publication of the report by a year. Lawson was eventually won round when he became convinced that Next Steps fitted with the political commitment of using market models for public service delivery and was a first step towards more extensive privatisation. Middleton remained unconverted for a long time and had to be 'talked and drafted round'.⁵⁴ In the end, only minor wording and emphasis changes were made to the final report. This set out clearer lines of accountability and slowed down the pace of reform by committing to it only on a 'pilot' basis.⁵⁵ The unions were 'far easier to deal with than the Treasury' and were generally persuaded after extensive formal consultation.⁵⁶

At the ministerial meeting in July 1987, Thatcher asked all ministers to put forward candidates for the pilot stage. Although this was ostensibly voluntary, departments were expected to produce at least two candidates, which 'gave scope to enthusiasts and embarrassed others ... into action'.⁵⁷ Departments then analysed their functions and identified areas where agencies could be created. Initially, departments put forward fairly modest candidates that already had a degree of autonomy (See Figure 6). There was a conscious effort to turn straightforward candidates into agencies first and leave the more politically contentious ones for later, when experience had been built up.⁵⁸

During this time, wider developments could have distracted attention and stalled progress, including a general election (1987) and a change in the leadership of the Civil Service (from Armstrong to Sir Robin Butler in 1988). This period was seen as a critical moment that, if not managed well, could easily have led to the agenda tailing off. The Efficiency Unit, however, made strenuous efforts to communicate the importance of Next Steps to the Labour Opposition to prevent it being abandoned, if Labour came to power.⁵⁹ Active outreach efforts were also undertaken with the Treasury and Civil Service Select Committee (TCSC), which published its first, very supportive report on Next Steps in July 1988.⁶⁰

⁵¹ CSR, interview 23.

⁵² Wilson, R., in Kandiah and Lowe, *op. cit.*, p. 126.

⁵³ CSR, interview 23.

⁵⁴ Kemp, P., in Kandiah and Lowe, *op. cit.*, p. 112.

⁵⁵ Jenkins, K., in Kandiah and Lowe, *op. cit.*, p. 119.

⁵⁶ CSR, interview 20.

⁵⁷ Jenkins, K., *Politicians and Public Services: Implementing change in a clash of cultures*, Edward Elgar Publishing, 2010, p. 118.

⁵⁸ CSR, interview 23.

⁵⁹ Haddon, *op. cit.*, p. 20.

⁶⁰ CSR, interview 22.

Figure 6: Candidates for agencies announced by the Prime Minister on 18 February 1988

	Department	Staff	Date of creation
Vehicle Inspectorate	Transport	1,600	1 August 1988
Companies House	Trade and Industry	1,100	3 October 1988
Her Majesty's Stationery Office	-	3,000	14 December 1988
Defence Non-Nuclear Research Establishments	Defence	15,000	1 April 1991
Driver and Vehicle Licensing Directorate	Transport	5,400	2 April 1990
Employment Service	Employment	41,000	2 April 1990
Historical Royal Palaces	Environment	300	1 October 1989
Meteorological Office	Defence	2,500	2 April 1990
Passport Department	Home Office	1,000	2 April 1991
QEII Conference Centre	Environment	60	6 July 1989
Resettlement Units	Social Security	600	24 May 1989
Royal Parks	Environment	600	1 April 1993

Source: National Audit Office, *The Next Steps Initiative*, 6 June 1989

Phase 2: Getting agencification up and running (1988-92)

This phase implemented the agencification strand of the Next Steps report:

'The aim should be within five years to establish a quite different way of conducting the business of government. The central Civil Service should consist of a relatively small core of about 20,000 people engaged in the functions of servicing ministers and managing departments who will be the 'sponsors' of particular government policies and services. Responding to these departments will be a range of agencies employing their own staff who may or may not have the status of crown servants.'⁶¹

On the day of publication, Thatcher made a statement to the House of Commons endorsing the report's recommendations and suggesting that agencies should be created 'to the greatest extent possible', which left the ambition theoretically open-ended.⁶² Between 75% and 95% of civil servants would be hived off to autonomous agencies to focus on delivery.⁶³ Central government would lose some of the detailed controls it held so that senior officials would have more time to concentrate on policy, while agencies would have more freedom to adopt business-like management practices. It was hoped that this would lead to more accountable management with quantifiable targets, customer-focused services and better value from public expenditure.⁶⁴ The underlying intention was to separate delivery from policy in order to build better links between them.⁶⁵

⁶¹ Jenkins, K., Caines, K., and Jackson, A., *Improving Management in Government: The Next Steps: Report to the Prime Minister*, February 1988.

⁶² Drewry, G., 'The Civil Service: from the 1940s to "Next Steps" and Beyond', *Parliamentary Affairs*, vol. 47, no. 4, pp. 583-95.

⁶³ Peter Kemp stated that he aimed to hive off 75% of civil servants into agencies to the Treasury and Civil Service Select Committee in 1988, while 95% is the logical result of reducing down to a core of 20,000 (as was stated in the original version of the Next Steps report).

⁶⁴ Ibbs in Kandiah and Lowe, *op. cit.*, 2007, p. 108.

⁶⁵ CSR, interview 23.

By 1988, the Treasury was wary rather than opposed and at times even ‘friendly and informally helpful’.⁶⁶ More generally, the aims fit with a particular ‘sentimental’ conservative attitude that saw the mandarins as highly effective at policy analysis, but as needing ‘to be preserved from doing things that they were very, very bad at, such as the delivery of services’.⁶⁷ The environment was, on the whole, more supportive than it had been, but not yet fully in tune with what was to come.

Given the challenging aims of the reform, Thatcher appreciated that it was vital to have it project-managed by a permanent secretary, directly answerable to her. Peter Kemp, a Treasury senior official, was appointed the project manager and became a permanent secretary in the Cabinet Office. He was identified for the role because of his accountancy background and forceful way of working.⁶⁸ He was seen as a highly committed, energetic and driven individual, who got Next Steps up and running by ‘shaking the temple’.⁶⁹

While Kemp’s position, experience and style gave him some leverage, more senior backing was essential. In this respect, Butler was hugely important in managing internal civil service tensions and gaining access to the Prime Minister when needed. Thatcher didn’t offer high-profile support or a significant amount of her time, but made it clear that she supported the agenda and would not tolerate continued opposition. This combination of support gave Kemp sufficient authority to carry out the changes as well as an implicit threat to wield against his peers, which meant that no other departments (especially the Treasury) could ‘push in’.⁷⁰

The operating model was consciously informed by an analysis of previous reforms. The scrutiny process had concluded that an initial flurry of ministerial activity was likely to fade, and implementation unlikely to be carried through, without a dedicated central unit.⁷¹ Accordingly, a Next Steps Unit (NSU) was established, which ‘kept the faith’ and had access to the Prime Minister and her staff, when needed.⁷² Kemp assembled a highly motivated, skilled and relatively small team of around 10 people, including a Grade 3 director, Grade 5 day-to-day manager and junior account managers.⁷³ This emulated the Rayner model, which emphasised that a small, focused organisation would add value, while a large one would only ‘add bureaucracy’.⁷⁴ The NSU was seen as a tight ship comprising ‘misfits’, ‘slightly awkward people’ and – unusually – a few outsiders, many of whom had a strong understanding of service delivery. Following the lead of Kemp, they were seen as disruptive mavericks armed with an unwavering commitment to changing things.⁷⁵

The team worked towards a numerical coverage target of putting 75% of civil servants into agencies (which Kemp ‘plucked from the air’ and continued to increase)⁷⁶ and developed a clear set of processes around when a new agency would be established and what it would look like (later developed into a 13-

⁶⁶ CSR, interview 17.

⁶⁷ Waldergrave, W., in Kandiah and Lowe, *op. cit.*, p. 117.

⁶⁸ Jenkins, K., *Politicians and Public Services: Implementing change in a clash of cultures*, Edward Elgar Publishing, 2010.

⁶⁹ CSR, interview 23.

⁷⁰ Jenkins, K., in Kandiah and Lowe, *op. cit.*, p. 128.

⁷¹ *Ibid.*, p. 110.

⁷² CSR, interview 23.

⁷³ *Ibid.*, CSR interview 20.

⁷⁴ Haddon, *op. cit.*, pp. 6-7.

⁷⁵ CSR, interview 23.

⁷⁶ CSR, interview 20.

point checklist of essential criteria for an agency).⁷⁷ This involved conducting a review of pre-agency functions to assess what was supposed to be delivered; what management structures would make it work better; and, whether performance would improve if the function was privatised, abolished or established as an agency. Then, arising from this review, the team would specify the relationship between the parent department and the agency in a carefully crafted, bespoke framework agreement, which set out the objectives, performance targets and resources assigned to each agency.⁷⁸ This was drawn up in consultation with the Treasury, and single negotiations would take place on any proposed changes to staff pay and conditions.⁷⁹ Finally, each agency was formally launched with a public statement from the relevant minister.

A few years into the reform, the Treasury devolved more financial flexibility to agencies – an important element of this was the trading fund model.⁸⁰ This gave agencies greater control over how they spent the money that they received from customers. The expectation was that profits would be reinvested into service improvements that customers would recognise, thereby improving the way agencies related to customers.⁸¹

Responsibility for the day-to-day operations of each agency was delegated to a chief executive. For these positions, Kemp was particularly keen on recruiting outsiders such as accountants with experience in financial management.⁸² They would be held to account for performance by a minister, who in turn would be held to account by Parliament for the agency's performance.⁸³

During this development phase, the team invested an immense amount of time in briefing all those who were involved, coordinating networks, creating champions for reform and devising a 'lively and innovative' communications programme, including booklets, public reports and a video, which built up the impression that the reform was going to succeed.⁸⁴ Kemp ran regular meetings with agency chief executives to discuss common challenges and provided updates to permanent secretaries at the weekly Wednesday morning meeting.⁸⁵ He always had clear backing from Butler, which ensured that the initiative wasn't seen as an insurgency, but as a priority worth co-operating with.⁸⁶

The unit's primary measure of success was progress against coverage targets, which was published in an annual report.⁸⁷ External accountability for progress was largely provided by the Treasury Commons Select Committee (TCSC), which published annual reports in the first few years of reform. The TCSC could easily have derailed the programme, but Kemp, and later project managers, understood the need to keep it on side.⁸⁸ A significant amount of time was spent discussing recommendations openly and honestly, such as the need to strengthen accountability to Parliament (soon fulfilled through the creation

⁷⁷ Ibid.

⁷⁸ National Audit Office, *The Next Steps Initiative*, June 1989, p. 3.

⁷⁹ CSR, interview 17; CSR, interview 20.

⁸⁰ Butler, R., 'The Evolution of the Civil Service – a progress report', *Public Administration*, vol. 71, autumn 1993, pp. 395-406, p. 401.

⁸¹ CSR, interview 23.

⁸² Ibid.

⁸³ National Audit Office, *The Next Steps Initiative*, June 1989, pp. 12-13.

⁸⁴ Goldsworthy, D., *Setting up Next Steps: A short account of the origins, launch and implementation of the Next Steps project in the British Civil Service*, London, May 1991, pp. 34-5.

⁸⁵ Jenkins, K., *Politicians and Public Services: Implementing change in a clash of cultures*, Edward Elgar Publishing, 2010.

⁸⁶ CSR, interview 20.

⁸⁷ Ibid.

⁸⁸ Ibid.

of agency accounting officers).⁸⁹ The TCSC became an important ‘friendly critic’, playing a key role in publishing the changes more widely.⁹⁰ Given that very few ministers were interested, and the Opposition didn’t really express a view, the only parliamentary voice was ‘intelligent and supportive’.⁹¹

By the early 1990s, the political context became highly turbulent: the poll tax riots broke out, Major succeeded Thatcher as Prime Minister, the Gulf War began and a general election was imminent. Alongside this, other reform agendas were announced – including the Citizen’s Charter and Competing for Quality in 1991.⁹² Kemp was particularly concerned that these newer initiatives presented a direct threat to Next Steps.⁹³

There was a conscious effort to manage the effect of these developments on the programme. Kemp and Butler met the shadow Cabinet in the run-up to the general election and convinced them that Next Steps was a transferable technology that could deliver a better model for whoever formed the government.⁹⁴ In May 1991, John Smith, then shadow Chancellor, gave a speech committing the Labour Party to the reforms.⁹⁵ Butler also ensured that the change of prime minister did not undermine progress, by linking Major’s interests in increasing transparency and accountability through the Citizen’s Charter into the narrative around Next Steps.⁹⁶

By May 1991, 50 agencies had been established, comprising 50% of the Civil Service; 60-70% of chief executives had been appointed following an open competition, and about 35% came from outside the Civil Service.⁹⁷ The Next Steps model began to embed greater awareness of financial and budgetary matters, as well as an acceptance of external recruitment – normalising what was once seen as highly radical.⁹⁸

However, there remained concerns around accountability (and whether this lay with ministers or agency chief executives) as well as performance.⁹⁹ This provided the impetus for the Fraser review, which criticised the fact that there was no one in departments responsible for looking after agencies, and recommended a senior department sponsor (‘Fraser figures’) for each agency to act as an external adviser on agency performance.¹⁰⁰

In 1992, Kemp left the Civil Service after clashing with William Waldegrave, then Minister for Public Services, and Richard Mottram replaced him as project manager. This change in leadership provided an opportunity to reflect, review and refresh the reform process.

⁸⁹ Radice, G., in Kandiah and Lowe, op. cit., p. 122.

⁹⁰ Ibid.

⁹¹ Waldegrave, W., in Kandiah and Lowe, op. cit., p. 123.

⁹² Major, J., ‘Speech to the Conservative Central Council’, 23 March 1991, retrieved 16 January 2014; <http://www.johnmajor.co.uk/page2017.html> HM Government, *Competing for Quality: Buying better public services*, London, November 1991.

⁹³ CSR, interview 23.

⁹⁴ CSR, interview 22.

⁹⁵ Radice, G., in Kandiah and Lowe, op. cit., p. 132.

⁹⁶ Haddon, op. cit., p. 20.

⁹⁷ Butler, op. cit., pp. 395-406, p. 400.

⁹⁸ CSR, interview 23.

⁹⁹ CSR, interview 20.

¹⁰⁰ Fraser, A., *Making the Most of Next Steps: the management of ministers’ departments and their executive agencies*. A report to the Prime Minister, London, 1991.

Phase 3: Moving into 'business as usual' mode (1992-95)

Mottram, previously a policy director at the Ministry of Defence, had little interest in or knowledge about Next Steps prior to his appointment as project manager in 1992.¹⁰¹ Like Kemp, he became a permanent secretary on appointment to the role, had strong Cabinet Secretary backing and access to the Prime Minister. However, his leadership and style of working was different. While Kemp was seen to be highly confrontational and spiky, Mottram was far more conciliatory and smooth.¹⁰² He aimed to re-engage senior officials by making the reform fit with them rather than 'rubbing up' against them in the way Kemp did.¹⁰³

By this stage, Treasury resistance was 'no longer an issue'.¹⁰⁴ The Major administration's attention, however, increasingly began to turn towards the Citizen's Charter and the Competing for Quality White Paper (1991). These could be tied in with the general direction of the Next Steps reforms, but represented a challenge in terms of priorities since Major had never shown much interest in the agenda.¹⁰⁵ To make matters worse, a Conservative counter-attack began following the 1992 election. Backbenchers and radical voices in the party began to raise concerns that public servants were 'escaping' into agencies, which acted as a barrier to privatisation, contracting out or the closing down of unnecessary functions.¹⁰⁶

It was crucial that Citizen's Charter and Competing for Quality were tied in with Next Steps to ensure continued prime ministerial interest. Mottram therefore spent a great deal of time communicating these links across the Civil Service, to departments and agency staff.¹⁰⁷ Eventually, all the reforms were integrated into the same narrative, giving the impression that the Prime Minister was 'fantastically interested' in the reform, which incentivised any reluctant permanent secretaries to stay on board.¹⁰⁸

By the mid-1990s, Next Steps had become a highly consensual agenda, which made it easy to forget just how contentious it had been a few years before.¹⁰⁹ The Next Steps team grew, developed a standard agencification process, was well-experienced in applying it and required less day-to-day guidance. As a result, agencies were created at a faster rate and in higher-profile areas, such as customs and revenue, defence, child support and prisons; by 1994, 99 agencies had been created comprising 65% of the Civil Service.¹¹⁰ Although the coverage never reached the somewhat arbitrary aim of 75%, this still represented a fast rate of fulfilment.

The process inevitably changed, losing some of the excitement and the sense of a pioneering experiment of the early days, while gaining a sense of 'establishment' – agencies simply became the way things were done now.¹¹¹ The sheer number of agencies meant that departments and ministers had less time to be actively engaged in the design, approval and monitoring of agencies, and the Fraser figures,

¹⁰¹ CSR, interview 20.

¹⁰² CSR, interview 23.

¹⁰³ Ibid.

¹⁰⁴ CSR, interview 20.

¹⁰⁵ Ibid.

¹⁰⁶ Waldergrave, W., in Kandiah and Lowe, op. cit., p. 129.

¹⁰⁷ CSR, interview 20; CSR, interview 22.

¹⁰⁸ CSR, interview 20.

¹⁰⁹ CSR, interview 22.

¹¹⁰ Richards, S., 'Devolving Public Management, Centralising Public Policy', *Oxford Review of Economic Policy*, vol. 10, no. 3, 1994, p. 44.

¹¹¹ CSR, interview 23.

which were supposed to correct this, were never really put to effective use.¹¹² As some officials argue, this led to numbers rather than quality being prioritised.¹¹³

By the mid-1990s, it became clear that the framework agreements for individual agencies were not necessarily incentivising improvement in performance. In July 1995, Michael Heseltine became Deputy Prime Minister and took over responsibilities for public service reform. He pushed for the development of a major public sector benchmarking project that would enable cross-agency comparisons of performance. However, these efforts were met with resistance from the Treasury and individual agencies and thus never really took off.¹¹⁴

More generally, this loss of focus on agency performance led to some high-profile challenges and failures. For example, the Prisons Agency was severely criticised after a series of high-profile IRA prisoner escapes, which led Michael Howard, then Home Secretary, to sack the agency chief executive, Derek Lewis.¹¹⁵ The case highlighted the confusion in the roles and accountabilities of ministers and chief executives, as well as problems arising from a lack of support for agencies, poorly designed policies and underestimation of the resources required to set up an agency.¹¹⁶

The end of the main agency creation phase and the closure of the Next Steps unit (1995-97)

Prior to the 1997 election, Labour had publicly committed to the Next Steps programme, despite irritation with the perceived erosion of ministerial accountability. Once in power, David Clark, then Minister for the Cabinet Office, reiterated that 'delegation is here to stay' and that Labour would not reverse the reforms.¹¹⁷

Soon after, the 1997 Next Steps report stated that more than 75% of the Civil Service was now contained within agencies. As a result, it announced the end of the main creation phase and closure of the central unit.¹¹⁸ At this point, the ambition plateaued and focused simply on maintaining the agency model, while introducing some simplification and reduction in the number of agencies. Departments were now solely responsible for their agencies, with little external oversight from a central unit.

Reflections on the reform lifecycle

The Next Steps initiative emerged from a successful attempt to refresh and reinvent an existing civil service reform intervention (Rayner's 'lasting reforms' and the 'scrutinies'). It began ambitiously, hiving off between 75 and 95% of the Civil Service to arm's-length agencies, and immediately had a huge impact.

¹¹² CSR, interview 22; CSR interview 23.

¹¹³ CSR, interview 17; CSR, interview 20.

¹¹⁴ CSR, interview 17; CSR, interview 23.

¹¹⁵ Riddell, M., 'Did prison work in Michael Howard's day? Only if riots and jailbreaks equal success', *The Telegraph*, 30 June 2010, retrieved 17 January 2014. <http://blogs.telegraph.co.uk/news/maryriddell/100045511/did-prison-work-in-michael-howards-day-only-if-riots-and-jailbreaks-equal-success/>

¹¹⁶ James, O., Moseley, A., Petrovsky, N., and Boyne, G., 'Agencification in the UK', in Verhoest, K., van Thiel, S., Bouckaert, G., and Laegreid, P. (eds), *Government Agencies in Europe and Beyond: Practices and Lessons from 30 Countries*, Palgrave Macmillan, 2011.

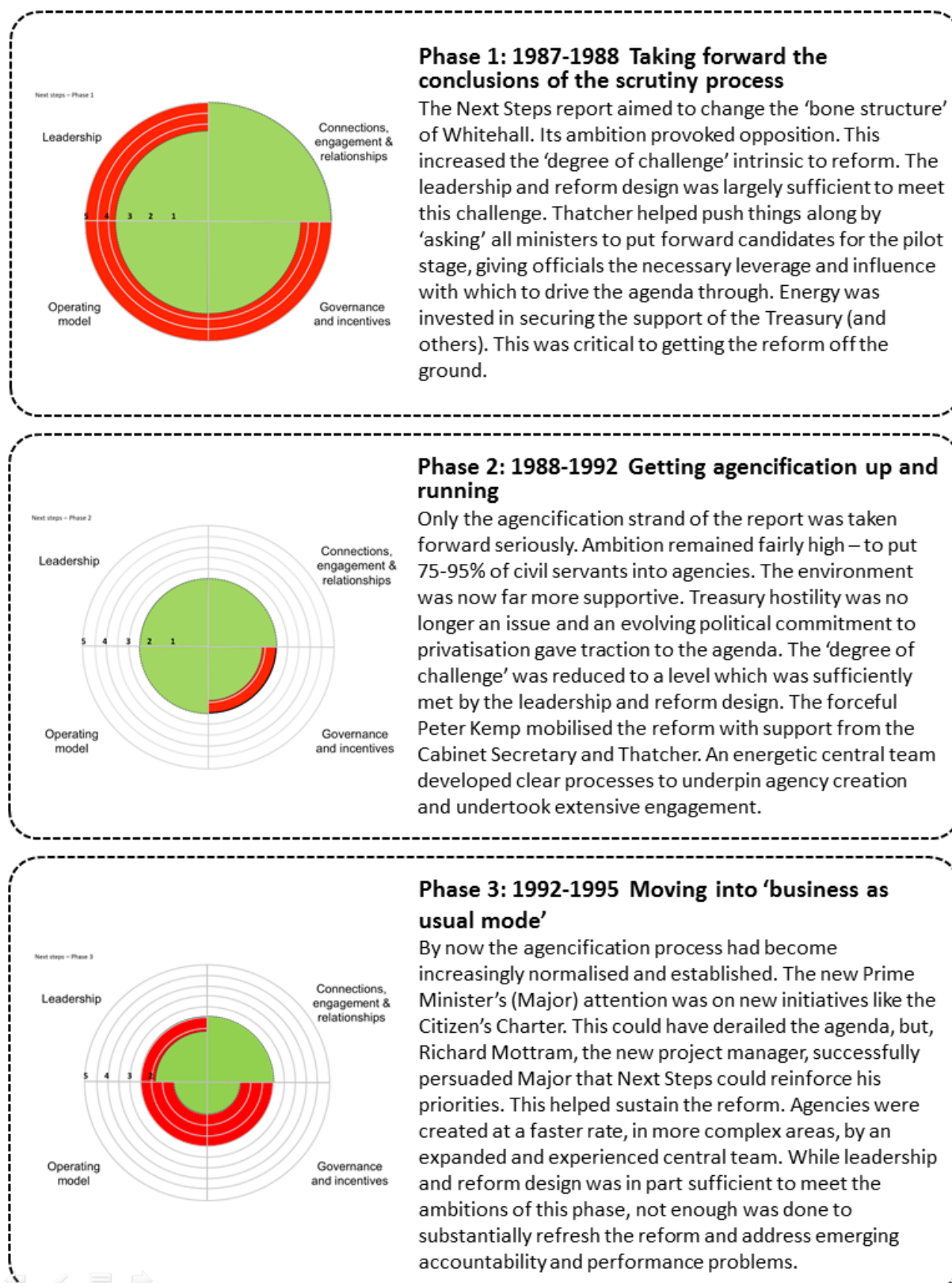
¹¹⁷ Theakston, K., 'Continuity, Change and Crisis: the Civil Service since 1945', *Public Policy and Administration*, vol. 10, no. 3, pp. 45-59.

¹¹⁸ HM Government, *Next Steps Report*, London, 1998.

But the discipline and sense of purpose gradually decreased over time as agency creation became mechanistic and normalised. As political, and therefore official, attention moved on to other initiatives, such as Citizen's Charter and Competing for Quality, there were no substantial attempts to refresh the model or ensure it was effectively embedded.

Instead, in 1997, the programme was officially closed. Since then the chaotic, tactical cycle of proliferation then reduction in the number of agencies and other arm's-length bodies is testament to the lack of challenge and discipline. Without an energised leader and an influential central team to measure progress against the original intentions, further progress and benefits were squandered.

Figure 7: The three phases of Next Steps



Legacy

The Next Steps report had far-reaching consequences, but not entirely in line with what the authors intended to achieve. It introduced some 'hard' changes in the operating model of the Civil Service. Between 1988 and 2010, 217 arm's-length agencies were created, while 131 were terminated through merger, closure of functions, change of organisational form or privatisation.¹¹⁹

There is evidence that suggests greater freedom from the centre contributed to a greater focus on customers and led to tangible improvements in frontline public services:

- Companies House reduced the amount of time taken to process documents from 25 days to 4 (by 2002). Its unit costs fell by 18% over the three years to 2001.
- By 2002, HM Land Registry had reduced its fees by 40% and achieved a 40% improvement in efficiency since becoming an agency in 1990.
- The UK Passport Agency reduced the amount of time taken to process a passport from 95 days to 10 days (by 2002).¹²⁰

The initiative changed the way policy makers in the remainder of the Civil Service thought about policy.

'[Before Next Steps] policy makers made policy but didn't influence or help those trying to run the operations... [it was] unrealistic policy – being made without any sense of reality. Then after Next Steps...people talked about the importance of understanding the reality...[there was] much more movement of fast streamers to spend time in local offices trying to understand reality ...concepts like customer focus came in and people at more senior levels recognised they had to think about these issues.'¹²¹

It also fundamentally changed the agenda on staffing and appointments. First, it gave a push to openness and the idea that people other than civil servants could effectively run certain delivery functions. This led to greater acceptance of open advertisement and the value of bringing people in from the private sector.

'Ceding the organisations to a different sort of person ... those people were very much more public and they had a more direct relationship with Parliament ...'¹²²

This precipitated changes to orders-in-council in 1996, which meant that civil service commissioners no longer had to make all external Senior Civil Service (SCS) appointments, allowing for far easier external recruitment of chief executives.¹²³ These themes were directly built on by the Bringing In and Bringing On Talent reform agenda from 1999 (see Chapter 4).

Next Steps instilled a clearer idea of what officials were supposed to be delivering. The framework agreements were seen as exemplars of setting objectives and resources as well as facilitating measurement of performance. This encouraged people to look closely at a department and ask what it

¹¹⁹ James, Moseley, Petrovsky and Boyne, op. cit., p. 13.

¹²⁰ HM Treasury and the Prime Minister's Office of Public Services Reform, Better Government Services: Executive Agencies in the 21st Century, Agency Policy Review – report and recommendations, 2002, p. 17.

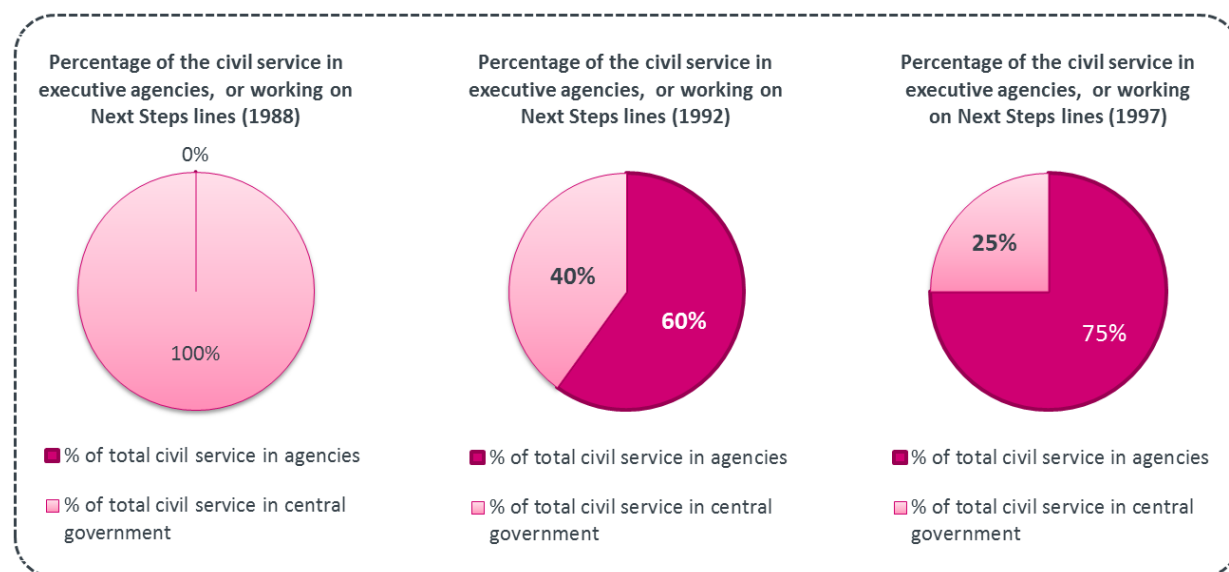
¹²¹ CSR, interview 27.

¹²² CSR, interview 20.

¹²³ CSR, interview 27.

was there for, laying the foundations for the Public Service Agreements (PSA) agenda, which identified objectives for each department from 1998 (see chapter 5).¹²⁴

Figure 8: Percentage of the Civil Service (staff) in executive agencies, 1988-97



Source: Government Statistical Service, Civil Service statistics 1997, figure 4, p. 6

For better or worse, the initiative also strengthened the federal nature of the Civil Service through a huge shift to delegation and decentralisation. Senior managers who remained outside agencies saw the freedoms that agencies now had and wanted similar freedoms from central controls:

*'There's a legacy around the importance of delegation ... [and] the importance of executive management.'*¹²⁵

*'[In the] late 1980s, departments were saying get off our back – we said fine – yet it was difficult to persuade them to do it and take the responsibility ... At that point pay grades and points for non-Senior Civil Servants were centrally controlled ... we agreed to let them do their own thing below the newly created Senior Civil Service.'*¹²⁶

These changes have not been without problems and challenges. First, lack of clarity around the roles and accountability of ministers and chief executives mired the effectiveness of the later, more controversial agencies such as prisons and child support.¹²⁷ Second, some senior officials found it difficult to embrace the new culture of devolved management and continued to involve themselves in managerial issues.¹²⁸ Third, despite the intention of 'joining up' policy and delivery more effectively, the creation of agencies in fact widened the divide between the London-based policy core and regionally based delivery staff.¹²⁹ The 2002 Agency Policy Review noted that some agencies had become

¹²⁴ CSR, interview 20.

¹²⁵ Ibid.

¹²⁶ CSR, interview 27.

¹²⁷ CSR, interview 23.

¹²⁸ Richards, op. cit., p. 45.

¹²⁹ Butler, op. cit., p. 400.

disconnected from their departments and needed clearer accountability frameworks and roles for non-executive board members.¹³⁰

¹³⁰ HM Treasury and the Prime Minister's Office of Public Services Reform, *op. cit.*, p. 3.

4. Bringing in and Bringing on Talent

The Bringing In and Bringing On Talent reform (known as Bilbo) stands out in our case studies as the only one that attracted neither serious political attention nor outright hostility and resistance. It was driven by the centre to a much lesser extent than the others and emerged from what departments were doing anyway. As a result, it did not ‘hit’ Whitehall in the way the other reforms did and its impact is largely forgotten today. However, it contributed to changing the skills, diversity and experience of the Senior Civil Service within only five years.

Origins: Run-up to *Modernising Government* (1985-98)

Training, development and recruitment had been the focus of a number of civil service reforms in the run-up to *Modernising Government* (1999). In the 1980s, the Top Management Programme was established to identify and develop the most promising officials with a management focus.¹³¹ In 1993, the Oughton report on career management and succession planning recommended that civil servants should have experience outside their department by Grade 7 and introduced a norm that any senior post could be open to competition. It also made a commitment to furthering equal opportunities by appointing a high-level adviser to the Head of the Civil Service to help attract people from less well-represented groups and extend the use of scholarships for ethnic minority candidates planning a career in the Civil Service.¹³²

A few years later, in 1996, the White Paper on Training and Development recommended that more civil servants should have specialist expertise (especially ICT), and introduced a more flexible approach to recruitment (including increased open competition and external middle managers).¹³³ Around the same time, the Senior Civil Service (SCS) was created, bringing together 3,000 staff formerly in Grades 2 to 5 into a single, service-wide group, with central personnel management.¹³⁴

By the late 1990s, there were increasing concerns that the Civil Service did not have a strong pipeline of senior leaders, or sufficient skills in communication, IT and project management lower down the ranks.¹³⁵ Departments often found it difficult to recruit these skills as they were required to go via the Civil Service Commissioner for all permanent appointments. While sending officials on secondments was seen as a way for departments to broaden the skills and experience of their existing staff, they were often unable to bring these people back easily because of the federal, siloed nature of Whitehall.¹³⁶

More widely, changes in the wider world of work – such as a greater focus on family-friendly employment, lifelong learning, career management, diversity and flexibility around retirement ages – were making it difficult for the Civil Service to attract, motivate and retain the talent that was needed for

¹³¹ CSR, interview 27.

¹³² Efficiency Unit, *Career Management and Succession Planning Study* (Oughton report), 1993.

¹³³ HM Government, *Development and Training for Civil Servants: A framework for action*, London, 1996.

¹³⁴ House of Lords, ‘Public Service – Report’, January 1998, retrieved 16 January 2014.
<http://www.publications.parliament.uk/pa/ld199798/ldselect/ldpubs/055/psrep10.htm>

¹³⁵ CSR, interview 32.

¹³⁶ CSR, interview 27.

the future.¹³⁷ It was clear that, by 2005, the Civil Service would be operating in a very different context and therefore needed to adapt, if it was to address its capacity and skills gaps.¹³⁸

By 1998, there were competing agendas at play about how best to meet this challenge, including the production of a draft white paper on joined-up government, which was prematurely canned due to differences within the newly elected Labour Government.¹³⁹ Sir Richard Wilson, who became Cabinet Secretary in January 1998, was keen to bring these different agendas together into one programme.¹⁴⁰ He personally felt strongly about the need to improve the leadership of the Civil Service as well as diversity at the top.¹⁴¹ Although there was little political interest in the issue, Tony Blair wrote to his cabinet colleagues asking them to put some energy behind it, which signalled it was ‘important enough’ and gave it some traction in Whitehall.¹⁴²

Meanwhile, in March 1999, the *Modernising Government* White Paper was published, which made a commitment to joined-up government centred on the citizen. It focused on a range of issues, including the need to improve IT, public services and policy-making. On leadership, skills and recruitment, it advocated striking the ‘right balance between identifying and bringing on internal talent and recruiting skills and experience from outside’.¹⁴³ It also drew attention to the need to ensure public services reflected ‘the full diversity of society’.¹⁴⁴

Soon after, Wilson launched a package of civil service reforms, which emerged in parallel and were included in *Modernising Government*, but became ‘a slightly separate, but much more powerful and organised agenda’.¹⁴⁵ This focused on four specific areas: vision and common principles, bringing in and bringing on talent, performance management, and diversity.

Wilson was attuned to the fact that different departments were already pursuing these agendas in different ways, but were at different stages of evolution. Therefore, he wanted to give the agenda some structure and push, but understood that it could not be driven by the Cabinet Secretary alone and had to be ‘owned’ by permanent secretaries themselves.¹⁴⁶ In April 1999, he organised the permanent secretaries into four working groups and delegated leadership of each strand to a permanent secretary from a major department.¹⁴⁷

Phase 1: The Bringing In and Bringing On Talent strand

The Bringing In and Bringing On Talent (known as Bilbo) strand was led by Sir David Omand, then Permanent Secretary at the Home Office, until around 2002. The primary purpose was ‘to strengthen leadership of the Civil Service across the board’ by cultivating talent and building the capability of staff,

¹³⁷ Cabinet Office, *Bringing In and Bringing On Talent, Civil Service Reform – a report to the meeting of Permanent Heads of Departments*, Sunningdale, 30 September – 1 October 1999, 1999, p. 5.

¹³⁸ CSR, interview 19; CSR, interview 27.

¹³⁹ CSR, interview 23.

¹⁴⁰ CSR, interview 19.

¹⁴¹ CSR, interview 32.

¹⁴² CSR, interview 23.

¹⁴³ Cabinet Office, *Modernising Government*, London, March 1999, p. 56.

¹⁴⁴ *Ibid.*, p. 59.

¹⁴⁵ CSR, interview 23.

¹⁴⁶ CSR, interview 27.

¹⁴⁷ CSR, interview 19.

as well as accessing a wider range of talent from outside.¹⁴⁸ The scope was limited to the SCS and changing the leadership capabilities of all departments in a relatively short space of time (by 2005).¹⁴⁹ Opening up the Civil Service to outsiders was seen as very new and risky at the time, given the norm of a 'career for life' in one organisation.¹⁵⁰

The working groups met regularly to test and develop ideas. The explicit thinking behind this was that all permanent secretaries would be consulted at all stages of the process and that this would make the agenda more acceptable to them and, by extension, their departments.¹⁵¹

The groups developed a vision of what 'success' would look like in 2005 and worked backwards to operationalise how exactly to get there.¹⁵² In this ideal future state, the senior leadership would contain as many women as men, those from an ethnic minority or disabled background, those who had taken a career break, those who had worked in local government, the voluntary or private sector, and those who had a scientific or technological background.¹⁵³

Also envisioned was a 'failure' state: here, the senior leadership would still be too close to the image of 'Sir Humphrey' – largely male and almost entirely white. Traditional policy skills would appear the *only* route to the top; few senior officials would have experience outside the Civil Service; levels of interchange would remain low; there would be a shortage of people with skills in contract management, customer services, IT or project management; and some groups – particularly ethnic minorities – would be conspicuously rare.¹⁵⁴

The groups used forcefield analysis¹⁵⁵ to develop a strategic plan for getting to the desired future. This consisted of five objectives:

1. Provide the individuals for strategic leadership of the service with relevant experience.
2. Create a broader-based, more professional Civil Service.
3. Spot and develop talent by providing opportunities for people to gain experience in more than one department or outside Whitehall.
4. Recruit in mid-career to fill specific posts needing outside experience, such as service delivery or project management.
5. Attract a wider, more diverse group at entry level.¹⁵⁶

To help deliver each objective, the plan provided an associated basket of measures, which set out key outcomes, how they could be achieved, and an implementation plan including resources, obstacles/risks, timescales, roles and responsibility. For example, to achieve the third objective, the plan committed to tackling obstacles to interchange, with a target that, by 2005, 65% of the SCS should have experience

¹⁴⁸ Cabinet Office, *Bringing In and Bringing On Talent*, op. cit., p. 5.

¹⁴⁹ CSR, interview 19.

¹⁵⁰ CSR, interview 23.

¹⁵¹ CSR, interview 19.

¹⁵² *Ibid.*

¹⁵³ Cabinet Office, *Bringing In and Bringing On Talent*, op. cit., p. 5.

¹⁵⁴ *Ibid.*, p. 6.

¹⁵⁵ This method, developed in the 1950s by psychologist Kurt Lewin, compares the forces helping and the forces hindering a desired outcome. One set of forces tries to change the status quo, and the other tries to keep it. Identifying these opposing forces helps people to plan ways of dealing with them.

¹⁵⁶ Cabinet Office, *Bringing In and Bringing On Talent*, op. cit., p. 6.

outside the Civil Service. To achieve the fourth objective, the plan set a target for the proportion of senior vacancies that should be put to open competition and identified 100 prominent tasks across policy development, service delivery and project management for which high-quality secondees could be brought in.¹⁵⁷

The baskets were partly developed by the central team, but crucially built on what a number of departments were already doing, which meant that the programme was recognisable. As one of the architects explained, the idea was to share experience and best practice so that departments could overcome the recruitment obstacles they faced.¹⁵⁸

At the end of this iterative process, most permanent secretaries agreed with the rationale and principles underpinning the agenda.¹⁵⁹ A crucial moment was the two-day Sunningdale meeting of permanent secretaries on 30 September 1999 facilitated by two outsiders – David Simon (chief executive of BP and appointed as an adviser to the Cabinet Office in 1999) and Geoff Armstrong (director general of the Chartered Institute of Personnel and Development and appointed to the management board of the Cabinet Office as a non-executive member in 1999). It was attended by Wilson, all the permanent secretaries and Jeremy Heywood, then principal private secretary to Blair.¹⁶⁰ The four working groups reported back to the wider group. On Bilbo, there was some argument around how radical the ambition would be, but eventually the permanent secretaries unanimously agreed a five-year programme of action to implement it.¹⁶¹ There was significant agreement about how well Sunningdale had worked and how positive the outcome was compared with other initiatives.¹⁶²

The programme was formally signed off by Blair in December 1999, but did not really engage him since it was considered to be largely a managerial issue. Extensive political support was not necessary and formal sign-off was sufficient to allow for follow-through.¹⁶³

There was, however, a more critical constituency: staff. There was a real danger that they would be cynical about yet another central initiative and have little appetite to get on board. It was therefore necessary for permanent secretaries to localise and personalise the initiatives such that each had their own narrative for why the reform was needed in their specific department. 'You have to get local initiatives and local branding and local servants so people actually see this is relevant to me.'¹⁶⁴ Soon after the Sunningdale meeting, heads of departments sent round notes to their staff on the initial proposals and likely next stages.¹⁶⁵ The idea was to mobilise people around the vision of what the Civil Service would look like in 2005, but allow for a diversity of routes to get there, depending on departmental needs and circumstances.¹⁶⁶

¹⁵⁷ Cabinet Office, Report to the Prime Minister from Sir Richard Wilson, Head of the Home Civil Service, 1999, p. 5-6.

¹⁵⁸ CSR, interview 27.

¹⁵⁹ CSR, interview 19.

¹⁶⁰ Ibid.

¹⁶¹ Ibid.

¹⁶² Haddon, C., *Reforming the Civil Service: The Centre for Management and Policy Studies, 1999-2005*, Institute for Government, July 2012, p. 11.

¹⁶³ CSR, interview 19.

¹⁶⁴ Ibid.

¹⁶⁵ Civil Service Management Committee, 'Message to the Civil Service from the Civil Service Management Committee', 4 October 1999.

¹⁶⁶ CSR, interview 19.

After formal sign-off, Omand set up a project team led by John Barker, which brought together civil servants, people from the private and voluntary sector, and consultants Stanton Marris.¹⁶⁷ They worked with Sam Mitha, head of the learning strategy division of the Cabinet Office, and Judith Lempriere, head of the fast-stream and European recruitment division.

The sheer detail of the plan was an attempt to dissociate Bilbo from previous central initiatives widely thought to be filled with empty slogans.¹⁶⁸ However, Omand and his team understood that a balance had to be struck between central coordination and departmental ownership. Previous civil service reforms had taught them that instructing departments what to do rarely worked.¹⁶⁹ As a result, they deliberately avoided the imposition of specific rules, targets and progress chasing (although they did track progress against objectives), and instead gave departments a menu of options, depending on local circumstances and priorities:

‘What you are trying to do is to align a whole lot of different factors so that you get some momentum going and you shift the thing in the direction that you have to move it, but without imagining that you can pre-plan exactly what you are doing.’¹⁷⁰

The rationale was that if departments did ‘at least some of them, the whole thing would move in the right direction’.¹⁷¹

More generally, the role of the centre was limited to connecting people and sharing best practice between departments in order to accelerate trends already under way.¹⁷² For example, it established the High Potential Development Scheme, which gave officials the opportunity to spend four months working on real case studies with staff from other organisations such as academia, local government and business, which had a real impact on making civil servants more open to outsiders.¹⁷³

Subtle incentives were, however, deployed to demonstrate the importance of outside experience. People started to see that those who had experience from outside were promoted, while those who didn’t were prevented from reaching the senior positions that they were seen to be natural successors to. This had a powerful effect and compelled people to get on board with the agenda of promoting secondments and interchange.¹⁷⁴

Within a couple of years, there were a number of ‘quick wins’. For example, the Public Service Leaders Scheme was launched in March 2001, which aimed to meet the individual development needs of 100 public service managers. It brought together people from Whitehall, the police, NHS and local government to learn about the leadership challenges in the public sector. It comprised mentoring, secondment projects, seminars and learning sets.¹⁷⁵

Solid progress was made against the diversity targets set for the SCS (see figure 9). There was also an increase in the number of appointments to the SCS following an open competition, from 107 in 1998-99

¹⁶⁷ Ibid.

¹⁶⁸ Ibid.

¹⁶⁹ CSR, interview 27.

¹⁷⁰ CSR, interview 19.

¹⁷¹ Ibid.

¹⁷² Ibid.

¹⁷³ CSR, interview 27.

¹⁷⁴ Ibid.

¹⁷⁵ Davis, L., ‘The End of Sir Humphrey’, Central Government, 20 April 2001.

to 158 in 1999-2000.¹⁷⁶ By 2002, two-thirds of vacancies were filled from outside, an increase of 88% from 2000.¹⁷⁷ Nine out of 13 posts at permanent-secretary level had been put out to open competition, with five filled from other sectors.¹⁷⁸ And 100 high-quality secondees had been brought in to undertake key tasks in areas such as IT and knowledge management, project management and resource accounting.¹⁷⁹

A new electronic marketplace – the Recruitment Gateway – was established in June 2000, allowing access through the internet to jobs in the Civil Service. A vacancies website was also set up on the Government Secure Intranet, advertising vacancies within the Civil Service, which made it easier for people to spot opportunities and move around Civil Service organisations.¹⁸⁰

Figure 9: Progress made against targets, 1998-2000

Measure	Proportion in 1998 (%)	Proportion in 2000 (%)
Women in the senior civil service	17.8	22
Women in the top 600 posts	12.7	18
Staff from ethnic minority backgrounds in the senior civil service	1.6	2.1
Staff with a disability in the senior civil service	1.5	1.7

Source: Wilson, R., Report to the Prime Minister on Progress, Autumn 2000, 1999-2000

¹⁷⁶ Civil Service Commissioners, Annual Report 1999-2000, 2000, p. 10.

¹⁷⁷ Wilson, R., 'Portrait of a Profession Revisited', The Political Quarterly, vol. 73, issue 4, October 2002, pp. 381-91.

¹⁷⁸ Ibid.

¹⁷⁹ Ibid.

¹⁸⁰ Wilson, R., Report to the Prime Minister on Progress 1999-2000, Autumn 2000, London.

Transition and embedding

In 2002, Wilson retired from the Civil Service and was succeeded by Sir Andrew Turnbull, previously a permanent secretary at the Treasury. He had less interest in the issue of senior leadership than his predecessor but was keen to address the competence gap (for example, in areas such as project management and IT).¹⁸¹ Nonetheless, he actively supported bringing in talent from outside for central units, for example in the Prime Minister's Delivery Unit and the Office for Public Service Reform.¹⁸² At this point, Bilbo was no longer at the top of anyone's agenda and a rush of new initiatives emerged. Turnbull, for his part, did not see Bilbo as a vehicle to achieve his ideas.¹⁸³

However, this did not lead to Bilbo tailing off. The agenda continued to be pursued in departments without it being formally recognised.

'I was pleased to see, most of the things we'd wanted done were actually being done – even though no one referred to it any more as a themed programme.'¹⁸⁴

'There came a time when they stopped referring to Bilbo even though they continued to do work against the objectives.'¹⁸⁵

Part of this continuation is attributed to the fact that the most powerful and functional part of civil service governance, the Senior Leadership Committee (normally chaired by the Cabinet Secretary), carried the torch for open competition:

'SLC in many ways was the governance process. When decisions were taken about which permanent secretary posts would go to open competition, it was at the SLC.'¹⁸⁶

Reflections on the reform lifecycle

The Bringing In and Bringing On Talent agenda emerged from what departments were already doing, built on the thrust of earlier reforms (including Next Steps and 'continuity and change'), and later became subsumed within the broader, centrally driven programme of *Modernising Government*. A clear ambition was set for what the staffing mix and capability of the Civil Service should look like by 2005.

The agenda for implementation was intentionally adaptable to fit individual departmental needs. Within just a few years the diversity of the SCS was significantly changed, and the actions became embedded to the extent that they continued to be pursued in departments without being formally recognised, unaffected by the dismantling of the central project team. Yet the civil service leaders of today talk as though the reform never happened.

¹⁸¹ CSR, interview 32.

¹⁸² CSR, interview 2.

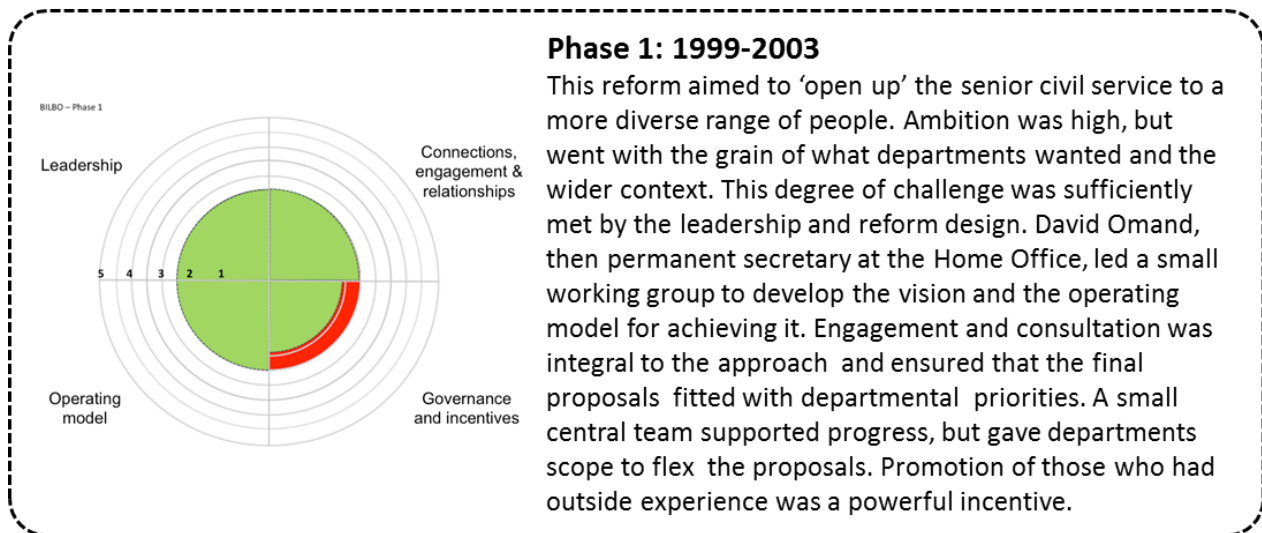
¹⁸³ CSR, interview 19.

¹⁸⁴ *Ibid.*

¹⁸⁵ CSR, interview 27.

¹⁸⁶ CSR, interview 27.

Figure 10: The first and only phase of Bilbo



Source: Institute for Government analysis, November 2013

Legacy

The Bringing In and Bringing On Talent agenda built on the changes set in train by Next Steps and opened up the Civil Service to improve the diversity of the SCS in every dimension. It brought people in from other parts of government, agencies and the private sector; opened up the service to professions other than policy (such as in communications, IT and project management); and increased the number of women and ethnic minorities at the very top.

This has contributed to transforming the look, shape and feel of Whitehall, building on the momentum created by Next Steps. As a result, officials are now far more comfortable interacting with academics, think-tanks and consultancies to inform the policy development process.

'That has all loosened up hugely. When I think back to the Civil Service in the 1990s, it was still quite closed. It was an unusual civil servant that went to conferences; even more unusual, who spoke at conferences. I think that all that has opened up.'¹⁸⁷

Although the reform project team was wound up swiftly, the embedded reform actions continued to be pursued and were subsumed within new agendas. The High Potential Development Scheme, which focused on developing staff through secondments,¹⁸⁸ specifically emerged from Bilbo. In February 2004, *Civil Service Reform: Delivery & Values* was published, which recommended bringing in more people with specialist skills and providing opportunities for officials to work in other sectors.¹⁸⁹ Later that year, Professional Skills for Government was launched, which led to the development of seven centres of excellence, each with their own head, in areas such as IT, finance and communications. All the key themes are thoroughly embedded in the Civil Service Capability Plan, published in 2013.¹⁹⁰

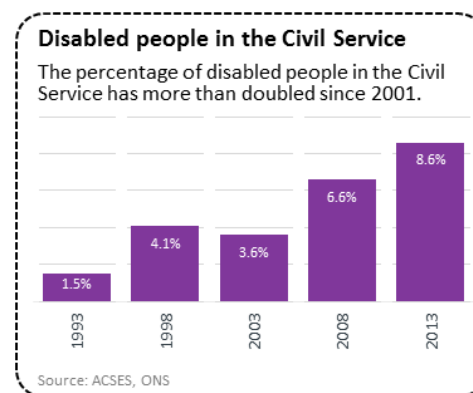
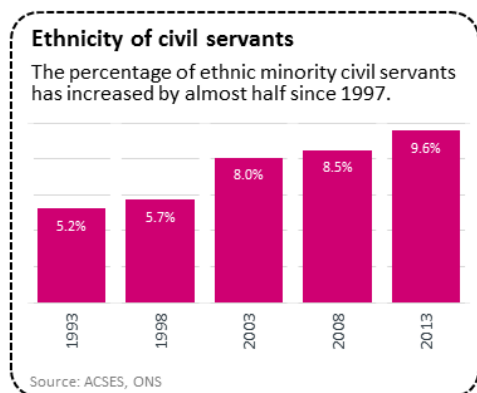
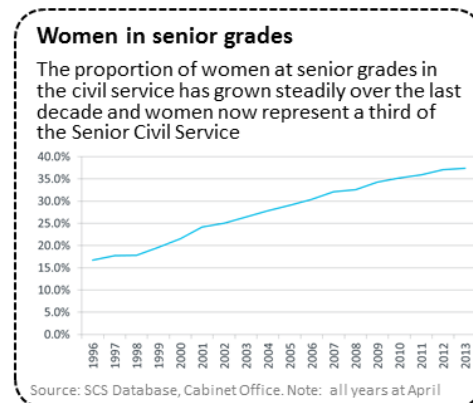
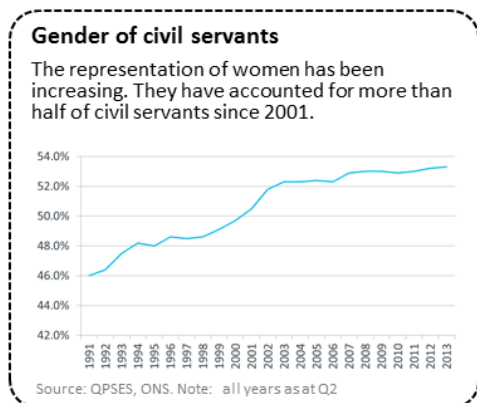
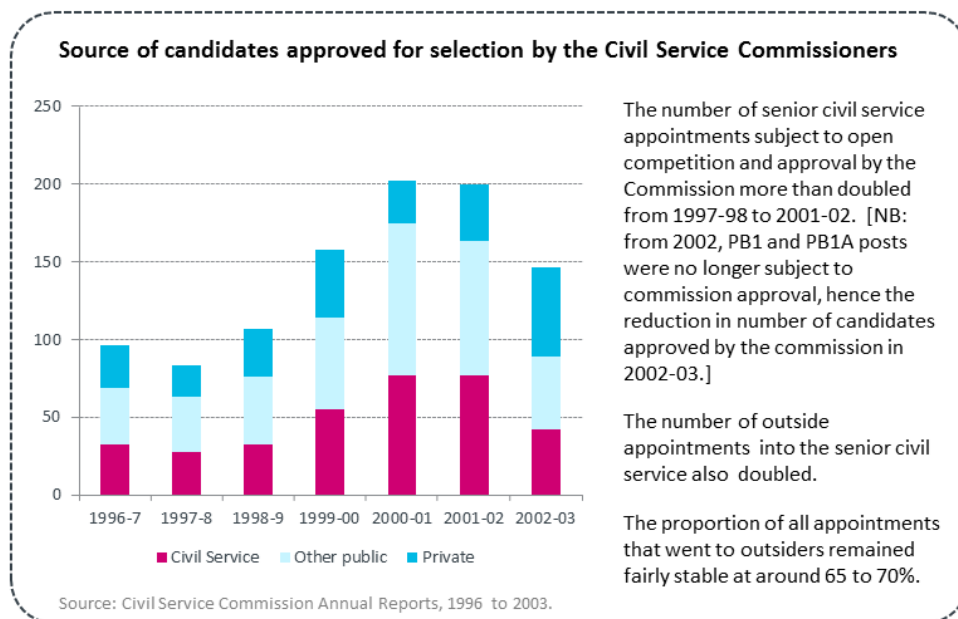
¹⁸⁷ CSR, interview 19.

¹⁸⁸ CSR, interview 27.

¹⁸⁹ HM Government, *Civil Service Reform: Delivery and Values*, February 2004.

¹⁹⁰ Cabinet Office, *Meeting the Challenge of Change: A capabilities plan for the Civil Service*, April 2013, retrieved 16 January 2014. <http://engage.cabinetoffice.gov.uk/capabilities-plan/wp-content/uploads/sites/3/2013/04/Capabilities-Plan.pdf>

Figure 11: The change in diversity in the Senior Civil Service

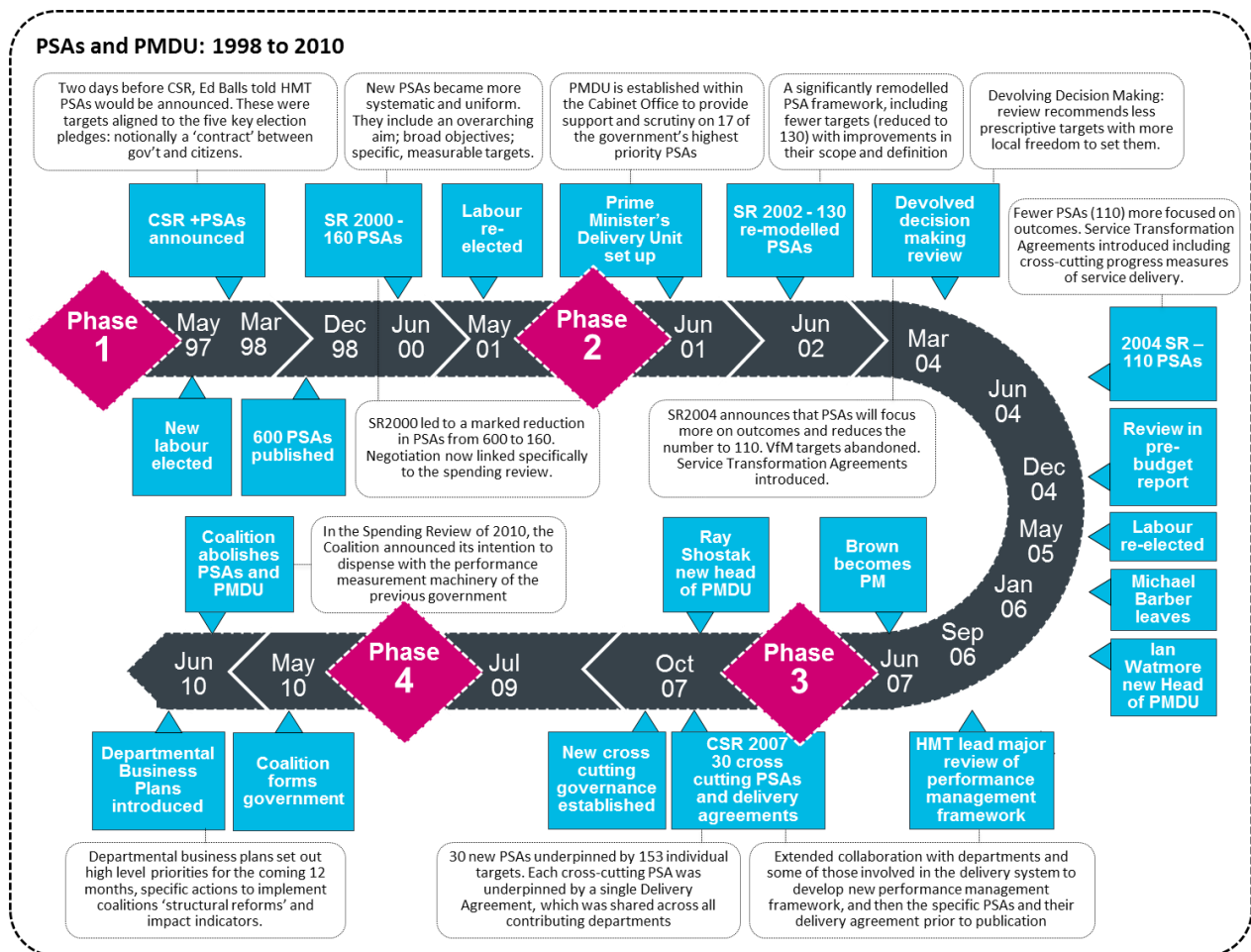


Source: ACSES, ONS; SCS Database, Cabinet Office; QPSES, ONS

5. Public Service Agreements and the Prime Minister's Delivery Unit

The introduction of Public Service Agreements (PSAs) was unexpected and unplanned – proposed by the Chancellor's special adviser just days before the 1998 spending review was announced. An initial set of 600 rapidly assembled PSAs matured and then burst into life when Tony Blair gave Michael Barber his 'instruction to deliver' in 2001. The Prime Minister's Delivery Unit (PMDU) became the most notable component of the reform and, together with the later evolution of the PSA regime, is now the UK Civil Service's best-selling reform export – from Haringey to California, the White House, the World Bank and Malaysia. In retrospect, the agenda was a natural consequence of a 20-year preoccupation with business planning and performance management in the public sector, but was not seen that way initially.

Figure 12: Timeline of PSAs and PMDU, 1998-2010



Source: Institute for Government analysis

Phase 1: The accidental birth of PSAs (1998-2000)

There is a long history of performance management in local government and agencies. The 'scrutinies', Financial Management Initiative (FMI) and Next Steps were all in some way attempts to improve the quality of financial management, performance and efficiency (see Chapter 3). In 1991, the Citizen's

Charter was introduced, which directly involved the public in the assessment of local services,¹⁹¹ and a year later the Local Government Act placed a duty on the Audit Commission to provide statutory performance indicators for local government.¹⁹² More widely, the introduction of market mechanisms in public services generated pressures to monitor and publish the performance of a diverse range of organisations, either to facilitate user choice or to demonstrate their accountability.¹⁹³

By the mid-1990s, attention increasingly turned to the accountability of central government. Following the 1997 election, David Blunkett (then Secretary of State for Education and Employment), Michael Barber (then a special adviser) and Michael Bichard (then permanent secretary at the Department for Education) held a shared view about the need to push for improvements in numeracy and literacy for primary school children to meet government priorities.¹⁹⁴ Barber was appointed head of the standards and effectiveness unit within the department and took hold of the schools standards agenda, a key focus area for the department.¹⁹⁵ A small team of ministers and officials (Blunkett, Estelle Morris, Barber, Bichard, Conor Ryan and Tony O'Connor) developed a framework that aimed to tackle failure and raise standards, which was seen by leading politicians as the lone example of progress on their key priorities.¹⁹⁶

Around the same time, the Treasury was in the process of developing a new performance framework called Output Performance Analyses (OPAs).¹⁹⁷ This was an attempt to connect audit and budgeting with delivery as part of the Treasury's programme of resource accounting. In the analyses, departments would have been required to report their success against departmental objectives.¹⁹⁸ In many ways, this initiative was seen to be a logical continuation of earlier schemes, such as FMI, and OPAs were approved and signed off in advance of the 1998 comprehensive spending review.¹⁹⁹

Only two days prior to their announcement, however, Ed Balls, then economic adviser to the Chancellor, Gordon Brown, told Treasury officials to replace them with new performance measures called Public Service Agreements. This was primarily because OPAs were not aligned to the five key election pledges (such as reducing NHS waiting lists) and did not include targets, which would make it difficult for the Government to demonstrate measurable improvements in public services as a result of increased spending.²⁰⁰ Underlying this was the desire of Brown and Balls to demonstrate that New Labour was economically literate and a responsible steward of public money.²⁰¹

Immediately after the CSR announcement, the general expenditure policy team in the Treasury, led by John Gieve, was tasked with developing PSAs over the next few months. It ended up recycling OPAs, but departments themselves also added hurriedly developed targets – 600 in total – to heed Balls's

¹⁹¹ Major, J., 'Speech to the Conservative Central Council', 23 March 1991, retrieved 16 January 2014. <http://www.johnmajor.co.uk/page2017.html>

¹⁹² Local Government Act 1992, retrieved 16 January 2014. <http://www.legislation.gov.uk/ukpga/1992/19/contents>

¹⁹³ Gash, T., Hallsworth, M., Ismail, S., and Paun, A., *Performance Art: Enabling better management of public services*, Institute for Government, December 2008, p. 17.

¹⁹⁴ CSR, interview 14.

¹⁹⁵ Ibid.

¹⁹⁶ CSR, interview 14.

¹⁹⁷ CSR, interview 17.

¹⁹⁸ National Audit Office, *Resource Accounting and Budgeting in Government*, January 1995, pp. 10-13.

¹⁹⁹ CSR, interview 17.

²⁰⁰ Ibid.

²⁰¹ Cleary, S., *The Prime Minister's Delivery Unit (PMDU) 2005-2007: What impact did the machinery of government and leadership changes have on the PMDU?* BA undergraduate thesis, p. 1.

instructions.²⁰² Given how little time the team had, PSAs were unsurprisingly highly variable in detail, specificity and measurability.²⁰³

During this initial period, little was known about PSAs among senior officials and politicians, beyond the fact that they represented a political statement that Labour would be tough on departments to deliver improvements in public services.²⁰⁴ Neither Brown nor Balls actively devoted any time or attention to the agenda, and Blair remained indifferent, having not yet developed a deep interest in delivery.²⁰⁵ The political cycle and the short-termism it induced meant that many could see no value in making progress against long-term outcomes that would take 10 or 15 years to materialise.²⁰⁶

Nothing was done to change this prevailing attitude. It was unclear who was responsible for delivering PSAs and whether officials would even be held to account for failure. The accountability 'wasn't observable in any way'.²⁰⁷ More critically, PSAs were not tied to any levers, since spending allocations had already been agreed prior to their announcement: 'We didn't have anything to enforce discipline.'²⁰⁸ As a result, the early PSAs had limited traction and little progress was made: 'People weren't really taking the performance agenda seriously.'²⁰⁹

Despite the ineffectiveness of the first set of PSAs, Brown and Balls were keen to stick with what they had started, while recognising the need for improvement. Many officials and politicians also instinctively thought that the idea was good and worth evolving, even if it wasn't seen as especially important at the time.²¹⁰

In 2000, Treasury officials made a number of technical improvements: 'We tried ... to put a bit of rationality and a bit more hard thinking about what we were trying to do with them.'²¹¹ This led to a marked reduction in the number of targets from 600 to 160 and noticeable improvements in their scope and definition. Around the same time, the Government Resource Accounting Act was passed, which tasked the Public Spending Committee with scrutinising PSAs by asking departments to report on them through their resource accounts.²¹² Alongside improvements in the operating model, the negotiation of PSAs was now explicitly tied to the spending review process, which increased the potential for the Treasury to incentivise departments to deliver on government's overall objectives in return for appropriate funding.²¹³

Phase 2: The electrification of PSAs (2001-07)

By 2001, Blair was frustrated with the lack of progress made during his first term and wanted to use his second term to push through radical public service reform. The shift to 24/7 news reporting meant that the Government was under constant scrutiny, which increased its desire to demonstrate that it had

²⁰² CSR, interview 18.

²⁰³ CSR, interview 17.

²⁰⁴ CSR, interview 17; CSR, interview 18.

²⁰⁵ *Ibid.*

²⁰⁶ CSR, interview 18.

²⁰⁷ CSR, interview 14.

²⁰⁸ CSR, interview 18.

²⁰⁹ CSR, interview 17.

²¹⁰ CSR, interview 18.

²¹¹ CSR, interview 17.

²¹² *Ibid.*

²¹³ CSR, interview 18.

actually achieved something.²¹⁴ At the same time, Blair was determined to seize the areas that were traditionally seen to be Conservative territory, such as reducing crime.²¹⁵ Labour's 2001 election manifesto focused heavily on improving public services in four key areas: education, health, crime and transport.²¹⁶

In the run-up to the 2001 election, Jeremy Heywood (then principal private secretary to Blair) and Barber worked closely to develop an approach that applied the success of the Department for Education model to other top priorities for government, but within the slow evolving PSA machinery.²¹⁷ Immediately after the election, in June 2001, the PMDU was created in the Cabinet Office, headed by Barber, to provide support and scrutiny on a selection of the Government's high-priority PSAs. These broadly related to the 2001 manifesto commitments, and Balls helped negotiate the 'alignment' between them.²¹⁸

At this point, the PSA agenda became significantly more ambitious, but more focused. The aim was to fundamentally change the course of delivery in four departments – the Home Office,²¹⁹ Department for Health, Department for Education and Department for Transport – in order to meet the Government's priority objectives across 17 PSAs. Barber deliberately chose to focus on a selected number of priorities where PMDU had relevant expertise and the targets were clearly measurable. This realism about what PMDU could achieve would be critical to its success.²²⁰

At first, the Treasury was highly sceptical, believing that PMDU would undercut its authority and work on PSAs.²²¹ Heywood invested a significant amount of time in negotiating with and reassuring Sir Andrew Turnbull, then permanent secretary at the Treasury, while Barber developed a personal relationship with Nicholas Macpherson, then managing director of public services – their support was key to the early success of the unit. Efforts were made to align the 15-20 prime ministerial priorities to the 120 Treasury PSAs.²²² Eventually, the teams were co-located in the Treasury building. This increased the receptiveness of the Treasury, which gave PMDU the 'permission' needed to drive the agenda.

Departments initially viewed the agenda as another central diktat to avoid. Barber quickly developed personal relationships with all the relevant officials, helping them to accept the role of delivery in government.²²³ He was able to do this because of the reputation he had built for transforming school performance, his collaborative approach to solving delivery problems with departments, and the strength of his existing relationships with key ministers – Blunkett, now at the Home Office, Stephen Byers at Transport and Morris in Education. This meant that 'he could easily pick up the phone and talk to them'.²²⁴

²¹⁴ CSR, interview 14.

²¹⁵ CSR, interview 18.

²¹⁶ BBC News, 'Labour manifesto: At a glance', 16 May 2001, retrieved 17 January 2014.
http://news.bbc.co.uk/news/vote2001/hi/english/newsid_1333000/1333545.stm

²¹⁷ CSR, interview 14.

²¹⁸ Barber, M., *Instruction to Deliver: Fighting to transform Britain's public services*, Methuen, 2008, p. 56.

²¹⁹ Note that the Lord Chancellor's Department, the Foreign and Commonwealth Office and the Crown Prosecution Service also played a role in some targets led by the Home Office – for example, reducing unfounded asylum applications.

²²⁰ CSR, interview 14.

²²¹ Barber, *op. cit.*, p. 57.

²²² *Ibid.*

²²³ CSR, interview 14.

²²⁴ *Ibid.*

Prime ministerial support and drive gave Barber additional credibility, resources and leverage. He was given a £2 million consultancy budget and built a core team of approximately 40 people drawn from the Civil Service, local government and consultancies. Barber personally handpicked many of the applicants, tapping into the expertise that existed in different sectors. The team was deliberately kept small to maintain focus and momentum.²²⁵

While departments remained responsible for achieving their PSA targets, PMDU was seen to play a crucial support and challenge function through the deployment of a range of tools and processes. It adopted an evidence-based approach to identifying and tackling barriers to delivery. It used the RAG traffic-light rating system²²⁶ to assess the progress departments had made towards meeting targets, and gave them an opportunity to contest and change their ratings only if they had the evidence to underpin their claims (which was rarely the case).²²⁷ The first league table was produced four months into PMDU's life and was intended to 'send shockwaves through the system'.²²⁸ After this, the ratings featured regularly in the six-monthly delivery reports.

Although some departments would neglect their PSA targets during particularly busy periods (such as the run-up to an election), PMDU nonetheless continued to monitor and rate their business-as-usual activities. This element of compulsion seemed to concentrate minds. As one official explained: 'They didn't like it being done to them, but they recognised that there was a process which was methodological and evidence-based.'²²⁹

There were no material incentives operating on departments to make actual progress against their PSA targets, or any sanctions for failing to meet them (such as changes to funding levels). The incentive to improve rested solely on personal accountability arrangements. Ministers were now held formally accountable for the delivery of PSA targets.²³⁰ PMDU provided regular delivery updates directly to the Prime Minister, who invested a significant amount of personal time – sometimes as much as half a day a week – to conduct regular stocktakes for the 17 priority PSAs.²³¹

These stocktake meetings took place every couple of months for each of the four departments and lasted from one to three hours.²³² They were attended by the Prime Minister, Barber, the Cabinet Secretary Chief Secretary to the Treasury and departmental representatives (the secretary of state, permanent secretary, delivery leader, a treasury official and the Senior Responsible Office (SRO)). Each began with a short presentation from Barber, focusing on one particular delivery challenge. This created a strong sense of theatre and made governance arrangements feel 'real' by making the secretary of state, junior ministers and permanent secretaries directly accountable to the Prime Minister.²³³ For example, on one

²²⁵ Ibid.

²²⁶ RAG is shorthand for the red, amber red, amber green, or green traffic-light ratings that PMDU applied when reporting on the prospects for delivery of the PSAs it worked on.

²²⁷ CSR, interview 14.

²²⁸ Kemplay, M., *Tony Blair Delivery Unit: Why did Tony Blair form the Prime Minister's Delivery Unit and was it successful in the years 2001-05?* BA undergraduate thesis.

²²⁹ CSR, interview 14.

²³⁰ HM Treasury, *2000 Spending Review: Public Service Agreements July 2000, 2000*, retrieved 16 January 2014. <http://webarchive.nationalarchives.gov.uk/20121204144351/http://archive.treasury.gov.uk/sr2000/psa/psa.pdf>

²³¹ CSR, interview 14.

²³² Cleary, op. cit., p. 8.

²³³ CSR, interview 14.

health stocktake, Blair questioned the Secretary of State for Health, Alan Milburn: ‘This target looks like it has plateaued, Alan. What are you going to do about it?’²³⁴

Although these meetings could easily have been used as a forum to cast blame and embarrass ministers and officials in front of the Prime Minister, Barber ensured that the dialogue remained forward looking and focused on practical steps for improvement. Underlying this was his philosophy that PMDU would never take credit for progress, but would always ‘share’ problems and work collaboratively with departments to solve them.²³⁵

Over time, senior officials and ministers came to see the stocktake process as an opportunity to discuss specific issues and delivery challenges directly with the Prime Minister.²³⁶ Many also came to see progress against the targets as an opportunity to enhance their personal credibility in front of Blair.²³⁷ Prime ministerial leadership in the priority PSAs was therefore critical to giving formal accountability arrangements traction and incentivising people to care about the delivery agenda. As one former permanent secretary put it: ‘I saw it as defining my job.’²³⁸

When delivery was off track, PMDU worked with departments to identify and tackle specific delivery challenges through the priority review, which was developed off the back of PMDU’s success on the ‘street crime’ target. The priority review was a short, intense period of work (usually six weeks) intended to identify barriers to delivery and develop solutions and recommendations. These reviews relied on a strong team comprising the right level of expertise and skill mix; challenging, but supportive partnerships between the PMDU and departments; and evidence to build a shared understanding of the main problems and priorities in each area. They culminated in a prioritised action plan.²³⁹ PMDU would then offer departments a dedicated resource in that area to help think through some of the issues.²⁴⁰

The disciplined focus on four main departments meant that Barber had the time, energy and resources to develop high-quality personal relationships that reinforced the ways of working inherent to the operating model – the emphasis was not on telling people what to do, but on working together to solve problems.²⁴¹ This distinctive way of working was highly valued:

‘Every other central unit still just questions – PMDU are genuinely part of the team trying to solve things.’²⁴²

‘They challenge you, but also help you come to solutions.’²⁴³

‘Staff seconded to work with PMDU on a priority review returned with a spring in their step.’²⁴⁴

Once relationships with departments evolved, many were keen to deploy some of PMDU’s resources and tools themselves to help unblock delivery and find better ways to make progress.²⁴⁵

²³⁴ Barber, op. cit., p. 95.

²³⁵ CSR, interview 14; CSR, interview 18.

²³⁶ CSR, interview 14.

²³⁷ Ibid.

²³⁸ CSR, interview 18.

²³⁹ Prime Minister’s Delivery Unit, ‘Welcome to the PMDU: Who we are and what we do’, presentation, 22 September 2006.

²⁴⁰ CSR, interview 14.

²⁴¹ Ibid.

²⁴² Private document, CSR, interview 2

²⁴³ Private document, CSR, interview 2

²⁴⁴ Private document, CSR, interview 2

In non-priority areas, the Treasury was supposed to monitor progress. However, formal accountability arrangements were regarded as mere window dressing, which no one took seriously.²⁴⁶ This was because Brown did not have the same commitment to or interest in the agenda, which meant that non-priority PSAs were seen as a sideshow to more important budget negotiations between the Treasury and departments.²⁴⁷ This underlines the crucial importance of active prime ministerial support.

By 2003-04, however, the Prime Minister had become increasingly distracted by the Iraq war and was under intense pressure from Brown to stand down. He had less and less time to focus on the public service agenda and began to disengage. The stocktakes worked only because they were backed by the authority of Blair. As soon as his involvement dropped off and there was less expectation of a prime ministerial stocktake, PMDU struggled at times to broker action with departments.²⁴⁸

Around the same time, the Public Accounts Select Committee (PASC) highlighted some key weaknesses with the regime – most importantly, the top-down nature of the targets and the potential for ‘gaming’ and other perverse consequences.²⁴⁹ In 2004, Brown asked Macpherson and Barber to set up a committee to consider the future of targets. This resulted in a joint HMT and PMDU publication, *Devolving Decision Making*, which recommended making targets less prescriptive and devolving more freedom to local practitioners.²⁵⁰

Soon after, in June 2005, Barber resigned as head of PMDU. Given the centrality of Barber to the PMDU regime, there was an overriding sense that PMDU had lost its key sponsor. As one official argues, ‘[PMDU] ceased to become as effective the moment that Michael left.’²⁵¹ Indeed, his departure led to a potentially fatal exodus of some key talent, which affected the quality and composition of the core team.²⁵²

In January 2006, Ian Watmore was appointed the head of PMDU. He had previously been the UK managing director of Accenture (2000-04) and had joined the Civil Service as head of the e-government unit in 2004. He broadened the focus of PMDU and developed a new product: Capability Reviews (see Chapter 6).²⁵³ Early on, Watmore had ‘less obvious explicit visible backing from the Prime Minister and politicians’ because of the pressure Blair was coming under to step down.²⁵⁴

The change in prime minister could have resulted in PMDU – widely seen as Blair’s tool in the centre of government and heavily reliant on him for its authority – falling with the departure of its creator. However, Treasury officials were well prepared for the role of PMDU in a new approach to performance management, and the transition was managed well.²⁵⁵ The fact that many of Brown’s advisers joined him in No. 10 meant that the previously difficult relationship between No. 10, the Cabinet Office and the Treasury improved rapidly.

²⁴⁵ CSR, interview 14.

²⁴⁶ CSR, interview 18.

²⁴⁷ Ibid.

²⁴⁸ CSR, interview 14.

²⁴⁹ Public Administration Select Committee, *On Target? Government by Measurement*, July 2003.

²⁵⁰ Cabinet Office., *Devolving decision making*, March 2004, pp. 17-19

²⁵¹ Richard Page-Jones cited in Cleary, op. cit., pp. 11-12.

²⁵² CSR, interview 14.

²⁵³ CSR, interview 14.

²⁵⁴ CSR, interview 2.

²⁵⁵ CSR, interview 31.

Shortly afterwards PMDU was formally integrated into the Treasury, which was seen as a 'natural location for the team because of the traction of the Treasury'.²⁵⁶ During the same month, Watmore resigned as head of PMDU to become Permanent Secretary at the Department for Business, Innovation and Skills. There was a three-month gap before Ray Shostak, a Treasury official who was driving the major review of the PSA and performance framework, and had previously worked in local government, was appointed director general for performance and head of PMDU, sitting on the Treasury board, in September 2007.

Phase 3: Going cross-cutting and comprehensive (2007-09)

In the troublesome lead-up to the change in prime minister from Blair to Brown, the timing of the planned 2006 spending review was delayed to fit with the expected transition. This created an opportunity for a fundamental rethink about the Government's performance management framework. Treasury thinking evolved in close discussion with key advisers to the Chancellor and a group of senior officials from across Whitehall, including PMDU.²⁵⁷ This ensured that departments were aware of the likely approach to PSAs and performance well before the formal publication of the guidance for the 2007 Comprehensive Spending Review.

During this time, there was an increasing realisation among politicians and officials that a number of high-level priority outcomes straddled departmental boundaries and thus improvements had to be made in the delivery of 'cross-cutting' outcomes. There was strong support for this approach from several senior secretaries of state – for example, John Prescott reportedly remarked: 'This is why I came into politics.'²⁵⁸ There was also a conscious effort to change the language and style of performance, reflecting many of the persistent criticisms of top-down targets.²⁵⁹

The comprehensive spending review in 2007 announced the new framework and set out the 30 government priorities, covering most departments and cutting across multiple departmental boundaries. These were underpinned by 153 measures. Each PSA had a single delivery agreement, which was shared across all contributing departments.²⁶⁰ These were the result of extended collaboration between the Treasury, PMDU and departments – with substantial involvement from ministers and their advisers – and each was subjected to challenge by a sample of frontline professionals and experts.

Some of these PSAs were seen to be a 'wrapper on to an existing structure', for example in transport and health,²⁶¹ while for others, who had never worked with PMDU before (such as the Department of Energy and Climate Change, Department for Environment, Food and Rural Affairs and Department for International Development,), the new framework was seen as a substantial departure from the past.²⁶² Of the 153 measures that underpinned them, only about a third had targets.

The degree of challenge inherent in the reform dramatically increased. It involved transforming the ability and willingness of officials to deliver improvements against high-level, priority outcomes that cut across

²⁵⁶ Ibid.

²⁵⁷ CSR, interview 31, CSR, interview 34.

²⁵⁸ Ibid.

²⁵⁹ Bevan, G., and Hood, C., 'What's measured is what matters: targets and gaming in the English public health care system', *Public Administration*, vol. 84, no. 3, 2006, p. 517-38.

²⁶⁰ House of Commons Treasury Committee, *The 2007 Comprehensive Spending Review: First report of Session 2007-08*, 20 November 2007, retrieved 16 January 2014. <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmtreasy/55/55.pdf>

²⁶¹ CSR, interview 34.

²⁶² CSR, interview 11.

departmental boundaries. It pushed against the federal structure of the Civil Service and directly challenged long-standing vertical governance and accountability arrangements. The scope of ambition was also large – PMDU was tasked with supporting the delivery of *all* 30 cross-cutting PSAs rather than just the Prime Minister’s priorities – which meant working with more departments in a broader range of areas, many of which were new to PMDU tools, processes and routines.²⁶³

PMDU officials understood the implications of this increase in ambition and established a comprehensive range of governance arrangements.²⁶⁴ Each cross-cutting PSA was overseen by a cabinet committee, had a lead department, lead secretary of state and SRO and a delivery board comprising senior officials from contributing departments.²⁶⁵ The SRO for the PSA would submit a report to the cabinet committee following the six-monthly delivery reports. The delivery board would also escalate issues they could not resolve to the cabinet committee.²⁶⁶

In the new governance structure, the cabinet committee was responsible for holding the lead minister to account for progress. This meant that ministers rarely had face-to-face contact with Brown in the way they did with Blair under the previous regime. This inevitably diluted the personal accountability some ministers felt for their contribution to PSAs. As one former permanent secretary explained, the secretary of state in his department wanted them to ‘focus on the things he thought he would be judged on’,²⁶⁷ which were specific departmental objectives rather than cross-cutting ones. Essentially, it was difficult to ‘motivate departments to be a good number-two or number-three player when somebody else would take all the credit for what was achieved’.²⁶⁸

PMDU’s role and focus shifted to match this new approach. It had four roles:

- performance policy, i.e. the PSA framework; developing the public service reform agenda and approach to cross-departmental working
- capability building and cross-government learning on delivery, i.e. knowledge management; encouraging departmental delivery units; and running SRO network and training
- performance monitoring, i.e. data tracking and reporting
- unblocking delivery obstacles, i.e. priority reviews; problem solving; follow-up work with, and brokering between, departments.

Of these roles, the fourth consumed the bulk of PMDU resources.²⁶⁹ Brown showed sustained interest in priority reviews, which were often used to respond to concerns he or No. 10 had about particular programmes that were felt to be off-track.

When the global financial crisis hit in 2008, the recently established National Economic Council became a top prime-ministerial priority. Dissatisfaction with the progress made on some of the 17 economic programmes the NEC was overseeing led to PMDU being asked to apply its methodology and approach to scrutinise and challenge progress. The NEC met every month in COBRA (Cabinet Office Briefing

²⁶³ CSR, interview 14.

²⁶⁴ CSR, interview 31, CSR, interview 34.

²⁶⁵ CSR, interview 31.

²⁶⁶ CSR, interview 31, CSR, interview 34.

²⁶⁷ CSR, interview 21.

²⁶⁸ Ibid.

²⁶⁹ Shostak, R., *The Experience of the Delivery Unit and Lessons Learned for Latin America*, presentation to Improving Public Service Performance in LAC: Tool and Reforms The World Bank, Washington DC, 30 November and 1 December 2011.

Room A), with Brown playing a role similar to that of Blair in the early years of PMDU, challenging ministers face-to-face on progress and plans.²⁷⁰

Despite this major overhaul, commentators, academics and opposition parties continued to advocate abolishing central targets altogether. In opposition, the Conservatives explicitly rejected ‘big government’, ‘central control’ and ‘target culture’, which were seen as the hallmarks of the New Labour Government.²⁷¹ They made it clear that they would dispense with Labour’s performance management framework, if they came to power. This reflected the Conservatives’ ideological position that it wasn’t government’s place to control or interfere in a number of outcomes (for example, making older people happier). It also reflected a pragmatic view that the Government couldn’t actually control these outcomes and therefore should not be promising something it could not deliver.²⁷²

Although there was some pre-election contact, senior civil servants who believed the PSA/PMDU approach could adapt to help deliver the agenda of any government of the day found it hard to challenge this narrative or repackage the machinery of delivery such that it could survive a change in government.²⁷³

The abolition of PSAs (2009-10)

After coming to power in May 2010, the Coalition Government immediately abolished the PSA/PMDU machinery and replaced it with Structural Reform Plans as part of a broader suite of documents collectively known as the Departmental Business Plans, which reflect the position that government cannot commit to outcomes, but can commit to inputs.²⁷⁴ The Structural Reform Plans set out groups of actions under each coalition priority for each department, outlining what the department plans to do to implement the coalition’s programme of reforms. Each of these actions has a due date and a current status marked against it, and departments are required to provide a written explanation for any missed deadlines. The plans have been refreshed several times since their initial publication to allow departments to add new actions or remove obsolete ones.²⁷⁵ While PMDU itself was abolished in name, the Coalition’s reinvented Implementation Unit deploys many of the same staff and tools.²⁷⁶

Reflections on the reform lifecycle

PSAs began life with an unambitious agenda, weak leadership and virtually no operating model, but were electrified by the Prime Minister’s desire to grab hold of the public services agenda after the 2001 election. The core approach was highly effective when focused on a limited number of priorities with sustained prime-ministerial interest. The regime was refreshed in 2004 in an attempt to ameliorate criticism of top-down targets. In 2007, the move to cross-cutting PSAs was a far more ambitious attempt to reinvent the Government’s performance management framework and supported by many senior politicians and officials. It involved substantial investment in new cross-departmental governance arrangements, which were conceived as a necessary first step to more radical changes to the federal structures of Whitehall, such as pooled budgets. But this ambitious experiment was brought to a

²⁷⁰ CSR, interview 31; CSR, interview 34.

²⁷¹ CSR, interview 15.

²⁷² *Ibid.*

²⁷³ CSR, interview 11.

²⁷⁴ CSR, interview 15.

²⁷⁵ Stephen, J., Bouchal, P., and Bull, D., *Whitehall Monitor 2013: Annual commentary and analysis on the size, shape and performance of Whitehall*, Institute for Government, August 2013, pp. 57-66.

²⁷⁶ CSR, interview 28.

premature end by the Coalition Government in 2010. That many inside and outside government saw the abolition of PSAs and their associated machinery as a mistake is perhaps now acknowledged by the recent re-emergence of much of the approach and tools of PMDU in the guise of the revamped Implementation Unit.

Figure 13: Three phases of PSAs



Source: Institute for Government analysis

Legacy

The PSA framework was never a perfect system, but it was a flexible system that evolved because people thought it was worth evolving. The targets gradually became smarter in response to challenges, difficulties and unintended consequences. In particular, there was, over time, an explicit limit on target numbers and a shift from inputs to outputs and sometimes even outcomes, which forced departments to prioritise and differentiate their approach depending on local circumstances, in a way that had not really been seen before in the context of performance management in government. The 2007 reforms were a substantial step to comprehensive government performance management.

The performance management machinery of PSAs and PMDU is widely seen as ‘a good thing’ among officials and ministers who worked with it.²⁷⁷ It offered a framework for setting long-term priorities and aligning organisational resources behind them. As one official explained, it was clear that the Government cared about certain issues, such as health waiting times or school standards, which meant that, even if ministers came and went, the department nonetheless continued to know where to focus attention and resources. Essentially, the PSA machinery provided a ‘guiding star to the policy direction of the whole government’.²⁷⁸ As a result, in those areas where PMDU focused, the machinery led to a strong stock of departmental delivery success stories, some of which have been sustained long beyond the decline of the reforms (see Figure 14).

More fundamentally, the approach is seen to have made civil servants and ministers feel directly accountable for delivery. Permanent secretaries began to accept that delivery was a major part of their day job – whether it was reducing crime in the Home Office or raising educational standards in the Department for Education. This would have been unthinkable in the 1970s and 1980s, when most officials thought they were supposed to focus only on policy formulation and legislation.²⁷⁹

‘The big change, really, that PSAs introduced was the idea that you might set explicit, clear objectives and targets for the mainstream departments and not just for their agencies ... [there was] a tremendous battle to get the Home Office to accept that it had the objective of reducing crime. Within the Home Office at the time ... the idea was offensive; a lot of people [thought their job] was more to do with justice.’²⁸⁰

Particularly for departments working with PMDU, the whole process embedded a set of positive routines. Some departments put PSAs at the core of their board reporting system, which increasingly focused on the delivery of long-term outcomes regardless of political cycles and day-to-day urgencies.²⁸¹

‘It gave me a ... starting point for outcome-based management and it helped me make sure in the thick of handling events ... launching initiatives, that we didn’t lose sight of the fact there was a longer-term purpose here.’²⁸²

Furthermore, many officials came to value the more recent cross-cutting delivery boards which, in some cases, continued to function for a while after the 2010 election and the formal abolition of the PSA performance framework.²⁸³

²⁷⁷ CSR, interview 11; CSR, interview 14; CSR, interview 16; CSR, interview 18; CSR, interview 21; CSR, interview 31.

²⁷⁸ CSR, interview 18.

²⁷⁹ CSR, interview 18.

²⁸⁰ Ibid.

²⁸¹ Ibid.

²⁸² Ibid.

²⁸³ CSR, interview 14.

Less tangibly, most ex-PMDU officials and many of those who worked with the approach in departments still use the tools and processes.²⁸⁴ The newly beefed-up Implementation Unit in the Cabinet Office uses people and tools from the PMDU era as an integral part of how it works. The conduct of, and input into, today's regular stocktakes on areas of prime-ministerial interest would be recognisable to officials and ministers from that era.

The PMDU model and later iterations of the PSA framework have come to be regarded as good practice by global institutions such as the World Bank for the seemingly universal challenge facing governments of how to 'grip delivery'.²⁸⁵ There is a mini-industry helping to apply the approach abroad in the US, Malaysia, Pakistan and Kurdistan. For example, Barack Obama's administration introduced High Priority Performance Goals modelled on PSAs.²⁸⁶

Although the Coalition's Business Plans look and feel very different to the PSAs, they would not have been introduced if PSAs hadn't already instilled a mentality that it was civil servants' job to deliver.²⁸⁷ Some officials, however, regret the loss of what they saw as an invaluable comprehensive performance management framework for government and argue that they no longer feel accountable for public service outcomes, as they once did: 'I've never felt less scrutinised by the centre, and less held to account by the centre, which is very lovely in some senses, but feels completely wrong.'²⁸⁸

²⁸⁴ CSR, interview 11; CSR, interview 14.

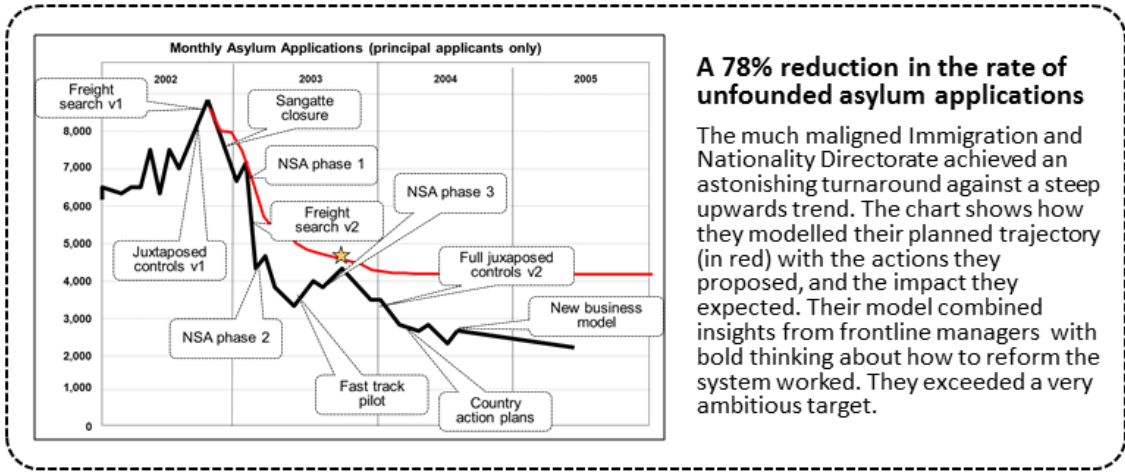
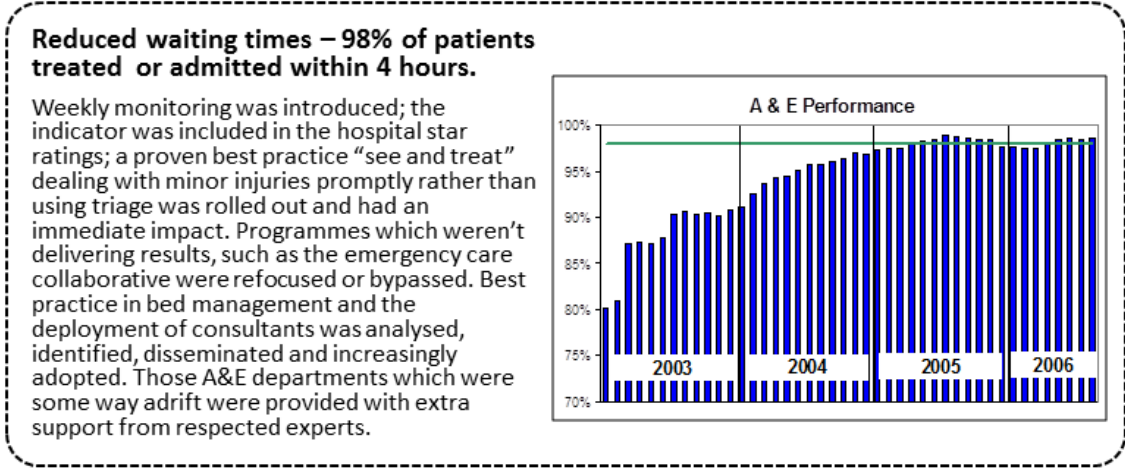
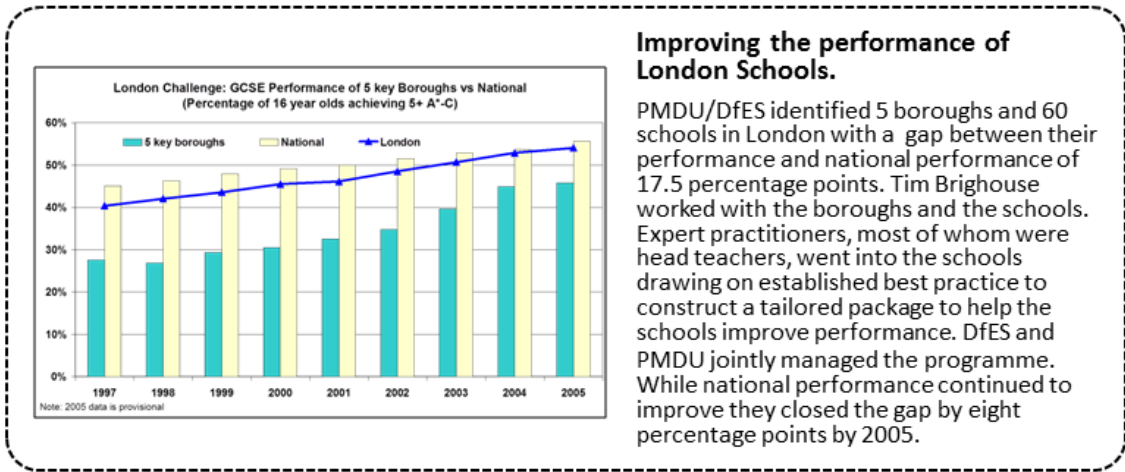
²⁸⁵ World Bank, *Driving Performance through Centre of Government Delivery Units*, November 2010, retrieved 16 January 2014. <https://openknowledge.worldbank.org/bitstream/handle/10986/10465/600920BRI0GET010BOX358310B01PUBLIC1.pdf?sequence=1>

²⁸⁶ Kamensky, J., 'UK Public Service Agreements', IBM Center for the Business of Government, retrieved 17 January 2014. <http://www.businessofgovernment.org/blog/business-government/uk-public-service-agreements>

²⁸⁷ CSR, interview 15.

²⁸⁸ CSR, interview 16.

Figure 14: PSA delivery successes

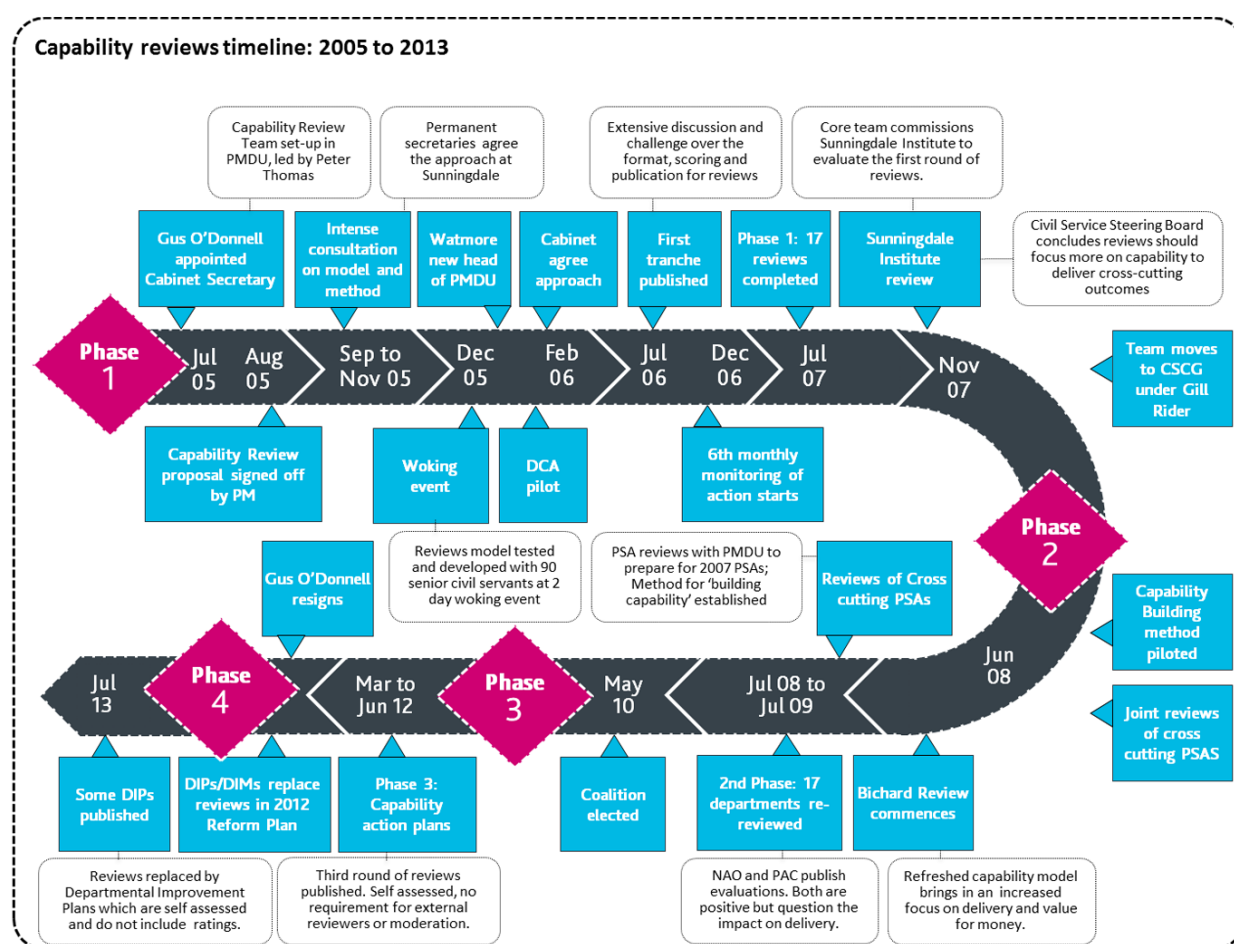


Sources: Barber, M., ‘Speech to the Chief Education Officers’ Conference’, 26 May 2004; Thomas, P., ‘Presentation to the NAO. Performance Management Conference’, 26 November 2005

6. Capability Reviews

Capability Reviews were a direct consequence of the drive for delivery in Labour's second term. They were conceived by Gus O'Donnell as the way to hold departmental leaders to account for improving their departments' capability to deliver. The extensive process of engagement and operating model that underpinned the reform immediately gave it traction in Whitehall. However, the loss of key reform leaders and the failure to reinvent what was only ever designed as a time-limited intervention led to the eventual watering down of the reviews. All the most effective elements of the reform design were abandoned with the move to self-assessment and, later, departmental improvement planning.

Figure 15: Timeline of Capability Reviews, 2005 to 2012



Source: Institute for Government analysis

Phase 1: Birth of Capability Reviews (2005-07)

In June 2005, O'Donnell proposed the Capability Review programme to Tony Blair as part of his pitch for the role of Cabinet Secretary, explaining that he would 'do for departmental capability what [Blair] had

done for delivery'.²⁸⁹ As a result he had a specific mandate to deliver reform. This early prime-ministerial support gave O'Donnell authority, credibility and influence over his colleagues. He had a clear vision and initially suggested examining such things as IT and HR capability, but was open to other people's ideas.²⁹⁰

This interest in departmental capability had been growing for some time. New Labour's second term explicitly focused on delivery, epitomised by the establishment of the Prime Minister's Delivery Unit (in 2001) to drive progress against priority Public Service Agreement targets. Although PMDU had begun to embed a focus on delivery in selected departments (see Chapter 5), officials soon recognised that long-term public service reform could be achieved only if the capability of departments was strengthened. As Michael Barber put it, by 2005: 'We discovered that the departments were not really up to driving the kind of agenda that we were setting them. So we could help them deliver these outcomes, but for sustainable reform, we needed to strengthen the departments as institutions.'²⁹¹ This priority was reinforced by a number of high-profile reports, including *Delivery and Reform* (2003) and *Delivery and Values* (2004).²⁹²

In line with this, O'Donnell proposed that the Capability Reviews would assess a department's capability to meet its *future* challenges. He would hold permanent secretaries personally accountable for building this capability, in the same way that PMDU held ministers to account for delivering key prime-ministerial priorities. O'Donnell emphasised that the reviews 'must generate compelling and comparable evidence about capability to deliver, which allows me to hold permanent secretaries to account for the capability of their department and monitor and challenge progress'.²⁹³

One month after O'Donnell proposed the reviews, a Capability Reviews Team was established in the PMDU, led by Peter Thomas, previously a director of performance development at the Audit Commission. Serious resources were committed to the programme – initially there were four directors and 10 deputy directors: 'If we are going to fail, it won't be because we [lacked] good people.'²⁹⁴ As with PMDU, there was a mix of career civil servants and those with experience from the wider public and private sector.

The team had experience of analogous programmes: running priority reviews for PSAs, and developing the best-value inspection methodology for local government, and the later Comprehensive Performance Assessments for local-government star ratings. They also developed and tested elements of what became the review methodology during a commissioned review of performance management at a major public institution. All of this learning was used to develop a model that combined what were seen as the most effective elements of each approach. As a result, there was a reorientation towards the areas eventually looked at (delivery, leadership and strategy) and functions such as IT were seen to be 'second-order'.²⁹⁵

This model linked the capability issue directly to the quality of leadership in each department – an approach that went beyond O'Donnell's initial vision and was seen as completely new to Whitehall. As one official put it: 'Whitehall hadn't been through anything like this before, and it hadn't really held up a

²⁸⁹ O'Donnell, G., 'Transforming Departments' Capability to Deliver', Letter to Prime Minister, 27 July 2005.

²⁹⁰ CSR, interview 4.

²⁹¹ Kemplay, M., *Tony Blair Delivery Unit: Why did Tony Blair form the Prime Minister's Delivery Unit and was it successful in the years 2001-05?*, BA undergraduate thesis, p. 21.

²⁹² Turnbull, A., 'The Balance of Power – Enabling Delivery and Reform of Public Services', 8 August 2003, retrieved 16 January 2014. <http://www.publicnet.co.uk/features/2003/08/08/the-balance-of-power-enabling-delivery-and-reform-of-public-services/>; HM Government, *Civil Service Reform: Delivery and Values*, February 2004.

²⁹³ Private document from CSR, interview 4.

²⁹⁴ CSR, interview 2.

²⁹⁵ *Ibid.*

mirror to itself in the same way.²⁹⁶ O'Donnell was explicit about the personal and challenging nature of reviews:

'Leadership makes the difference ... This is not our comfort zone. We are going to have to say ... "so and so is not good enough" ... We have a tradition of not being honest ... we are willing to discuss anything rather than the person ... for me this is personal. Please concentrate on that.'²⁹⁷

In August 2005, the proposition was signed off by the Prime Minister.²⁹⁸ In September 2005, Jonathan Slater, then the co-leader of the development phase and the PMDU director covering health targets, presented the proposal to a group of permanent secretaries at the Sunningdale gathering, where they 'signed up'.²⁹⁹

Engagement was designed into the reform process from the outset. This helped to ensure that the reform was described in a language many recognised, consistent with their experience of reflecting on successful delivery: 'We wanted the design to engage a large number of senior civil servants as well as outside experts – so that they owned, understood and influenced the focus and method of the programme.'³⁰⁰

In the next two months, the project team conducted around 100 interviews and ran seven to eight workshop sessions with senior officials involved in delivery, to develop and test the capability model as well as to brainstorm ideas around the method and approach. The programme that was eventually established was therefore 'stress-tested against a whole series of anxieties', which was seen to lessen the scope for post-hoc criticism.³⁰¹ As one official explained to us, these efforts to 'persuade, coax and cajole' were as important as the formal engagement processes as they ensured that everyone was on the same page and in agreement on the key principles.³⁰²

The intense phase of consultation and engagement culminated in a two-day event at Woking for 90 senior civil servants and a number of experts and outsiders with a perspective on reform and capability. Consultants from Cap Gemini used their 'ASE' methodology to plan and run this large co-designed event.³⁰³

'We were conscious of deliberately setting up an encounter where we would share work in process – with the deliberate intention of having it broken down and rebuilt by one of the most critical and intelligent audiences you could gather. It was the most stressful two days of my career.'³⁰⁴

Disagreement focused on specific issues of implementation rather than the reform idea itself. The scores, in particular, were an issue of much contention, as were the concerns around Freedom of

²⁹⁶ CSR, interview 4.

²⁹⁷ PMDU, 'Our Capability Reviews: Making them work', presentation, 6-7 December 2005.

²⁹⁸ CSR, interview 2.

²⁹⁹ Ibid.

³⁰⁰ Ibid.

³⁰¹ CSR, interview 4.

³⁰² Ibid.

³⁰³ The Accelerated Solutions Environment is a patented approach to collaboration and innovation with large groups, culminating in a one- to three-day event for around 100 people. It is regarded as one of the best-designed and most used methodologies in the market.

³⁰⁴ CSR, interview 2.

Information and the extent to which the detail underpinning the reports would be made public.³⁰⁵ A sub-group from Woking directly fed back the main conclusions to O'Donnell.

O'Donnell made extensive efforts to ameliorate the concerns officials had about the process, and quickly won the support of key permanent secretaries. He was able to do this partly because of his previous position as the Treasury Permanent Secretary and the personal relationships he had developed, but also because of his leadership style. He was seen as charismatic, highly committed and decisive, which helped to dissipate any initial scepticism officials had: 'Everyone knew it was Gus's big thing.'³⁰⁶

Essentially, these two factors – O'Donnell's leadership style and the team's engagement effort – were seen as particularly important in ensuring that there was agreement around the legitimacy and aims of the reform agenda, if not on the specific details.

Political 'permission' to do the reviews was also critical. There was understandably anxiety among some ministers that the reviews would be used to criticise them, rather than hold officials to account for capability in their department.³⁰⁷ Prime-ministerial support was crucial at this point and there was one lengthy cabinet discussion where Blair eventually lined up ministerial support behind the initiative. After this, Ian Watmore, who became head of PMDU in January 2006, had one-to-one meetings with key ministers who remained uncertain, to reassure them that the reviews would focus on civil service, not political, leadership.³⁰⁸

Soon after, a decision was made to 'take the politics out of it' so that the reviews could not eventually be used as a tool by secretaries of state against their departments. This was crucial to the reform's success – enough political support was won to get the programme up and running, but a conscious decision was made to de-politicise it to establish its credibility and independence.³⁰⁹

The first tranche of Capability Reviews began in March 2006. They addressed three broad areas of management capability: leadership, strategy and delivery. A review team was drawn from inside and outside Whitehall consisting of five senior people, including two director generals from other departments and three external members from the private, public and voluntary sectors. A former head-hunter, Esther Wallington, was used to recruit high-quality external reviewers such as Richard Baker of Virgin Active, Rob Whiteman, chief executive of the London Borough of Barking and Dagenham, and Amelia Fawcett, chairman of Pensions First. Each team was supported by two members of the central Capability Review Team, who ran the process and facilitated the review team's analysis and conclusions.³¹⁰

The reviews drew on the evidence provided by the department as well as a combination of interviews and workshops held over a two- to three-week period. There was daily feedback to the department and regular discussions with the permanent secretary as the review progressed. On the basis of this evidence the review team produced a report scoring the department against each element of the capability model. An independent moderation panel was established to ensure consistency between the scores given to each department and to allow for comparison between them.³¹¹

³⁰⁵ CSR, interview 4.

³⁰⁶ CSR, interview 2.

³⁰⁷ Private document; CSR, interview 2.

³⁰⁸ CSR, interview 21.

³⁰⁹ CSR, interview 4.

³¹⁰ CSR, interview 2.

³¹¹ *Ibid.*

The reviews aimed to provide a shared diagnosis of the current situation and a sense of perspective on the challenge. However, it was not a technical review, but seen as a 'hard-hitting, personal and emotional experience'.³¹² The idea that someone else could 'look in and make a judgement' about the capability of a department and then crucially compare that judgement with its peers was 'incredibly painful'.³¹³ Unsurprisingly, there was anger and resistance from some permanent secretaries around the scores they received and some challenged O'Donnell hard not to publish the findings of the first tranche of reviews.³¹⁴

The draft Department for Constitutional Affairs report was the means by which extensive debate over publication, format, scoring and tone of the report was conducted.

'Publication was the ... big [problem]. There was what I call the Goldilocks problem; whatever you wrote was either too hot for some people, and for a different audience it was too cold. The first version of the DCA report was at the scalding end of too hot for DCA, and about right for our review team. By the time ... we finished ... it, the review team were a bit offside about it; they thought it was too soft and DCA still thought it was tough. I thought it was the right temperature. We got publication right in the end ... all the time external people were saying to me, "We thought this was going to be a whitewashing exercise and it wasn't." But we tried to highlight good things as well as bad.'³¹⁵

The Prime Minister's support for publication was crucial in the end, but active efforts were made to connect with departmental concerns and persuade civil servants of the value of the reviews. This underlines the need to connect and build relationships throughout the reform process, rather than assume that once a 'coalition for change' has been built, it is done.

The values and ways of working underpinning the operating model were crucial to this endeavour. O'Donnell personally managed some of the difficult conversations and held management teams to account by chairing the moderation panel and the stocktakes. The debriefing process was seen as an honest, hard-hitting dialogue between the Cabinet Secretary and the departments.

'I will use the reviews to expose the improvements needed, get the right people into the right senior posts to deliver the improvements, ensure they get the support they need, reward success and take tough action in response to failure.'³¹⁶

Gus O'Donnell, 2005

'[The reviews] forced us to address questions which we would otherwise evade, and they did that by getting right in there amongst staff and stakeholders, and showing us how others saw us ... it had the undeniable of powerful, individual, 360-degree feedback, and we recognised that we had to do something about it.'³¹⁷

Departmental board member

³¹² Ibid.

³¹³ CSR, interview 3.

³¹⁴ CSR, interview 2.

³¹⁵ CSR, Interview 2.

³¹⁶ Private document, CSR interview 2.

³¹⁷ Ibid.

O'Donnell reinforced this in his annual performance reviews with permanent secretaries. This level of personal commitment was seen as critical to making permanent secretaries feel accountable.³¹⁸

During difficult periods, Watmore was often the last line of defence. He used his previous connections and relationships to develop 'challenging but supportive' relationships with permanent secretaries and director generals: 'He was calm, courageous and, above all, fair, which meant that people basically came to trust the endeavour, even if they didn't like the results.'³¹⁹ The PMDU 'brand' was seen to support this style of working. It had developed a reputation for being firm but constructive, the teams working collaboratively with departments to solve problems, rather than just telling them what to do.³²⁰

The reviews came to be seen as robust primarily because they applied the model consistently across all departments and allowed for comparison between them.³²¹ This focused the attention of permanent secretaries on the relative strengths and weaknesses within their departments, and injected a degree of competition, which acted as a constant pressure for improvement: 'Without the scores, they wouldn't have listened.'³²²

The composition of the specific review teams was seen to enhance the credibility of the process. The presence of director generals introduced an element of peer review, which incentivised senior officials to care about the process. The presence of external reviewers, especially at the moderation stage, helped O'Donnell resist pressure from permanent secretaries to water down the reports.³²³

'The review team members' interaction with the permanent secretary and the board is crucial in ensuring the review's conclusions are both valid and – especially – accepted by the top management team. In most cases, review team members had repeated and frank meetings with the permanent secretary, especially about difficult issues such as weak board members. These meetings reinforced permanent secretaries' engagement in the review and their determination to follow through ... Interaction with departmental boards ... was an intense, emotional occasion for both parties. The feedback presented was open and hard hitting.'³²⁴

The fact that the same model and approach was applied to each department helped sustain difficult conversations. As one official explained to us: 'If you were unable to robustly answer questions around methodology it would have been easily pulled apart.'³²⁵

Eventually, there was a high level of acceptance of the issues identified by the review teams.³²⁶ For example, David Normington (then permanent secretary at the Department for Education) and Leigh Lewis (then permanent secretary at the Department for Work and Pensions) were initially critical of their scores, but ended up taking the areas for action seriously and used the reviews to support their own change programmes. Likewise, initially sceptical ministers – such as Alistair Darling and David Miliband – began to appreciate the value of the reviews.³²⁷ As more and more director generals participated in the programme as reviewers, the body of supporters and advocates grew.

³¹⁸ CSR, interview 2.

³¹⁹ Ibid.

³²⁰ Ibid.

³²¹ CSR, interview 4.

³²² CSR, interview 2.

³²³ Ibid.

³²⁴ Sunningdale Institute, Take-off or Tail-off? An evaluation of the Capability Reviews Programme, November 2007, p. 12.

³²⁵ CSR, interview 4.

³²⁶ CSR, interview 2.

³²⁷ CSR, interview 21.

Phase 2: Refreshing and building on the reviews (2008-10)

In summer 2007, the Capability Review Team wanted to take stock of the progress made during the first couple of years and commissioned the Sunningdale Institute to conduct an evaluation. This praised the overall process, but recommended shifting focus on to how departments work together on cross-cutting issues and capabilities, given the concurrent move towards cross-cutting PSAs.³²⁸

Following this, there were a couple of roundtable discussions with lead permanent secretaries and a workshop at the Autumn Sunningdale (the twice yearly meetings of all permanent secretaries) to reflect on the implications of the report. In November 2007, the Civil Service Steering Board agreed that the Capability Reviews had value, but that there was a need to begin focusing on the ability of departments to deliver on cross-cutting objectives.³²⁹ It also decided that the capability model should be refreshed, and appointed Sir Michael Bichard to conduct a review.

At the same time, there was a growing awareness that more needed to be done to help departments build and improve their capability. As one official explained to us: 'We came to realise that only one or two of the permanent secretaries had what they needed to lead their department to fix the capability gaps identified.'³³⁰ There was thus a sense that the review process had to be refocused towards promoting actual change.

Attempts were made to reinvent the reform in these two directions – cross-cutting reviews and building capability. At the same time, there were some key changes in organisational structure and leadership. Watmore and Peter Thomas, architects of the initial reform, left the team in June and December 2007 respectively. In January 2008, the Capability Review Team moved from PMDU to the Civil Service Capability Group (CSCG), led by Gill Rider. Brian Etheridge, a member of the review team from the early days, replaced Thomas as head of the central Capability Review Team.

In the midst of these changes, a PSA review programme was established (in partnership with PMDU) to support departments in preparing to deliver the 2007 cross-cutting PSAs. This would focus on challenging cross-cutting PSAs where PMDU assessments had raised concerns around issues such as cross-departmental ownership and prioritisation, leadership, governance and capability. The proposition suggested a targeted review process, embedded within PMDU's performance management of PSAs, while building on the experience of Priority and Capability reviews. The teams would include members of PMDU and the Capability Review Team, as well as members of the lead and contributing departments. This combination aimed to ensure that the reviews could quickly focus on key challenges, develop a spirit of shared ownership and increase the likelihood of successful follow-up after the review was complete.³³¹ They were only carried out for six of the 30 cross-cutting PSAs.³³²

Around the same time, a pilot method for 'building capability' across Whitehall on key issues was established, led by Andrew Templeman, one of the architects of the Capability Reviews. Officials from across Whitehall were deployed to work on a specific problem that really mattered to the commissioning department. The initiative was tested in the Department for Innovation, Universities and Skills, followed by projects in the Ministry of Justice and Department for Work and Pensions. It was seen as valuable by those involved:

³²⁸ Sunningdale Institute, op. cit.

³²⁹ CSR, interview 4.

³³⁰ CSR, interview 2.

³³¹ PMDU, *Guide to PSA reviews*, November 2007.

³³² CSR, interview 31.

‘Spending one day a week on the programme was brilliant, amazing, driving focus and demanding progress.’

‘This is definitely better quality than could have been produced in a single department. The range of knowledge, insight and disciplines is greater and the output is better presented and more thorough.’³³³

But neither of these two initiatives really took off. Both were severely constrained by limited resources and funding. As one official put it, the ‘reviews were funded from a levy of departments, so we were a zero-cost team; departments had to pay for them ... We had no resources to deploy to building capability unless a department chose to invest in it.’³³⁴ Fundamentally, the initiatives lacked a sufficiently influential advocate who could persuade permanent secretaries to support and fund an increase in ambition.³³⁵ As such, the opportunity substantially to refresh the programme was lost.

Meanwhile, the capability model itself was refreshed in 2008, after consultation with stakeholders, experts and academics. This brought in an increased focus on delivery and value for money, among other things, but the core elements remained by and large the same.³³⁶

A second round of reviews was conducted on the basis of this refreshed model. The continuation of the reform programme was helped by the established credibility of the programme, an experienced central team and the sustained personal commitment of O’Donnell. The rhythm of regular monitoring at six, 12 and 18 months continued. Two of the original reviewers returned to do a more time-limited reality check on progress to equip O’Donnell with a sound basis for testing and challenging the departmental board on their progress.³³⁷ O’Donnell continued to head these stocktakes personally – going physically to the department and its board meeting to run them. His unwavering commitment left no one in any doubt that he was following through and holding them to account for action and progress.³³⁸

Phase 3: Decline into self-assessed reviews (2010-12)

By 2009, those involved in the programme felt that the review process was increasingly becoming bureaucratised: ‘Departments knew the exam questions and were beginning to find ways of answering them.’³³⁹ There was a sense that less was to be gained from bringing in an external set of reviewers, which was, in any case, expensive.³⁴⁰ The post-2008 austerity drive gave this argument traction.³⁴¹

At the same time, some senior officials were concerned about being labelled adversely by the reviews in the run-up to a general election: ‘Nobody wanted to look terrible in the eyes of an incoming government.’³⁴² The new non-executive directors, for their part, never really understood the value of the reviews and found them ‘a bit irritating’.³⁴³ And the Conservative Opposition saw Capability Reviews as

³³³ Civil Service Capability Group, Presentation on the Capability Building Programme, July 2010.

³³⁴ CSR, interview 2.

³³⁵ CSR, interview 2.

³³⁶ CSR, interview 3.

³³⁷ CSR, interview 2.

³³⁸ Ibid.

³³⁹ CSR, interview 3.

³⁴⁰ CSR, interview 3; CSR, interview 4.

³⁴¹ CSR, interview 10.

³⁴² CSR, interview 21.

³⁴³ CSR, interview 4.

part of Labour's top-down performance management approach, which it was keen to challenge.³⁴⁴ O'Donnell's commitment began to wane during this time. As one official observed, he became 'focused on guarding the legacy of them and what they had actually enabled to happen, [rather] than on building something on them'.³⁴⁵

In May 2010, the Coalition Government was formed and immediately dismantled New Labour's performance management machinery, which spelt the death knell for Capability Reviews. Later that year, a third round of reviews was announced, renamed Capability Action Plans (CAPs). These were different from the first two sets in that they were entirely self-assessed and included no scores, no cross-cutting review and no external moderation.³⁴⁶ The idea was to embed the reviews within departments, given the strengthened roles of boards and greater acceptability of the agenda ('it was up to departments themselves'),³⁴⁷ but it was seen by some as a disguised attempt to bury the Capability Reviews without actually abolishing them altogether.³⁴⁸

The loss of external peers in most cases, a weaker model for carrying out the reviews, and the lack of moderated (and therefore valid and comparable) scores removed the incentive and competitive pressure to improve, a key reason for the success of the previous phase. This change in the operating model took the bite out of the reviews. They were no longer seen to be honest or hard-hitting assessments – all the incentives pointed to claims of better rather than actual performance, or at worst, covering up poor performance – which meant that they weren't really taken seriously.³⁴⁹ As one official put it: 'The previous Capability Reviews had people worried; these ones didn't.'³⁵⁰

Transition and demise (2012 onwards)

During early 2012, a few permanent secretaries and director generals were keen to strengthen CAPs and include them in the Civil Service Reform Plan.³⁵¹ However, the Coalition Government had little interest in pursuing this agenda, and no senior official was able to present a compelling vision that could change ministers' minds.³⁵² Sir Gus O'Donnell had resigned from his post as Cabinet Secretary in December 2011. And, given the lack of political interest, there was little appetite among other senior officials to refocus the reform programme. Essentially, the reform was personally identified with O'Donnell and did not have the collective leadership around it to survive his departure: 'When something gets identified as being a person's thing, it tends to pass with the person.'³⁵³

Capability Reviews did not feature in the 2012 Civil Service Reform Plan and were instead replaced with Departmental Improvement Models and Departmental Improvement Plans. These focus on longer-term

³⁴⁴ CSR, interview 21.

³⁴⁵ CSR, interview 4.

³⁴⁶ CSR, interview 2.

³⁴⁷ CSR, interview 3.

³⁴⁸ CSR, interview 2.

³⁴⁹ CSR, interview 4.

³⁵⁰ CSR, interview 16.

³⁵¹ CSR, interview 4.

³⁵² Ibid.

³⁵³ CSR, interview 21.

plans and how the organisation might need to be reshaped and structured to support delivery of the Business Plans.³⁵⁴

Reflections on the reform lifecycle

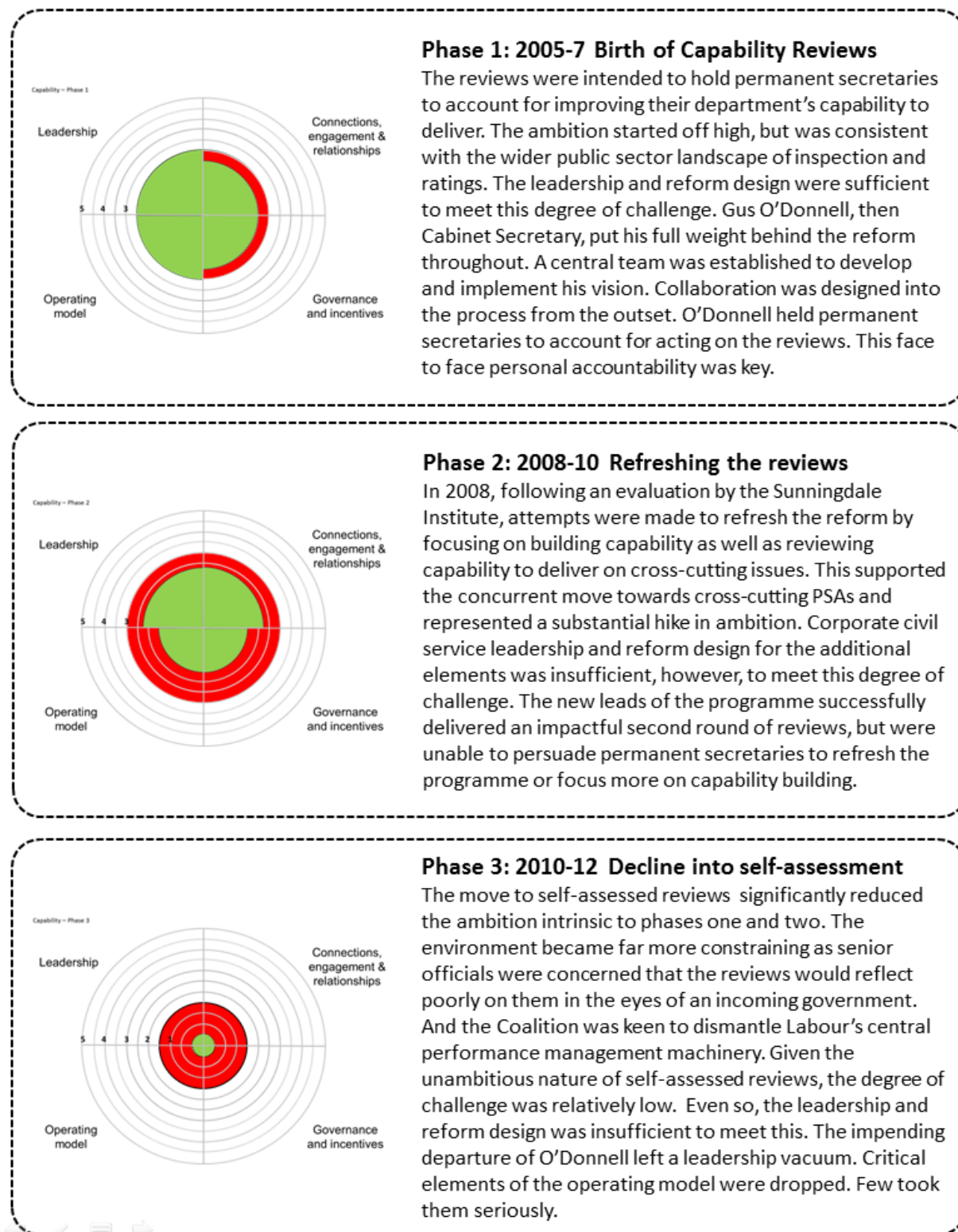
Capability Reviews immediately got off to a strong start with very effective leadership by the Cabinet Secretary and a well-designed operating model. The reform 'burned brightly'³⁵⁵ for a few years and helped to create a new agenda focused on capability to deliver. Attempts to push the ambition further, however, failed and the move to self-assessment in 2010 initiated a period of stagnation and decline.

Ultimately, it remained over-reliant on the personal leadership of the Cabinet Secretary, critical to getting it off the ground during the first phase. In the absence of a successor to O'Donnell's leadership of this reform, the tactical resistance of some permanent secretaries ahead of the 2010 election meant the approach was watered down to the point of irrelevance in most departments. The chance to build on the legacy was missed when Departmental Improvement Plans were created without connecting to what had gone before.

³⁵⁴ Cabinet Office, *The Civil Service Reform Plan*, June 2012, retrieved 15 January 2014. <http://www.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf>

³⁵⁵ CSR, interview 21.

Figure 16: Three phases of Capability Reviews



Source: Institute for Government analysis

Legacy

The Capability Reviews were the first organisational capability assessment framework in the UK systematically to assess the organisational capabilities of individual departments and to publish results that could be compared across departments.

'Whitehall hadn't been through anything like this before, and it hadn't held up a mirror to itself in the same way against a really consistent process. The process of having people in from other sectors to do reviews of departments, it was very new and quite challenging for people and was a very big deal.'³⁵⁶

By the end of 2009, all major departments were re-reviewed and it was reported that 95% of areas that were assessed in the baseline reviews as needing urgent development had been addressed. In particular, progress was reported in terms of leadership, notably in the capability and effectiveness of top leadership teams, and in strategy, with departments improving the way they used evidence and analysis in policy making.³⁵⁷

The reviews directly led to the creation of the civil service staff engagement survey, which exposed key capability gaps without having to rely on a high-level external review. This survey was championed by O'Donnell, who found staff survey data invaluable in his stocktakes and monitoring discussions with boards, but desired better-quality, comparable data across the service. It was seen as a way to reduce the need for an expensive, high-level snapshot provided by the Capability Reviews – and instead provided regular, robust pictures of management and leadership in departments and agencies.³⁵⁸

Capability Reviews have been seen as good practice at home and abroad. In 2010, Australia introduced its own version using a very similar model,³⁵⁹ and in 2012 the UK's Government Communication Network introduced Communications Capability Reviews, though there are some differences to the originals (for example, scores are not published).³⁶⁰ Very similar reviews, using the basic methodology, have been run in agencies and strategic health authorities.³⁶¹

Although the reviews survived some minor changes (i.e. the move from PMDU to CSCG and a change of prime minister in 2007), they were highly personally identified with O'Donnell and thus faltered after his departure in 2011. In the end, the programme 'burned very brightly for three, four, five years maybe and was taken extremely seriously at the time but then dissipated'.³⁶²

Despite its formal demise, the programme helped set a new agenda focused on capability to deliver. For example, a small team, led by Nancy Braithwaite, a founder member of the central Capability Review Team, identified common themes and drew out good practice from across Whitehall. This strand of work established the agenda and the terms of debate around capability.

³⁵⁶ CSR, interview 4.

³⁵⁷ Cabinet Office, *Capability Reviews: An overview of progress and next steps*, December 2009.

³⁵⁸ CSR, interview 2.

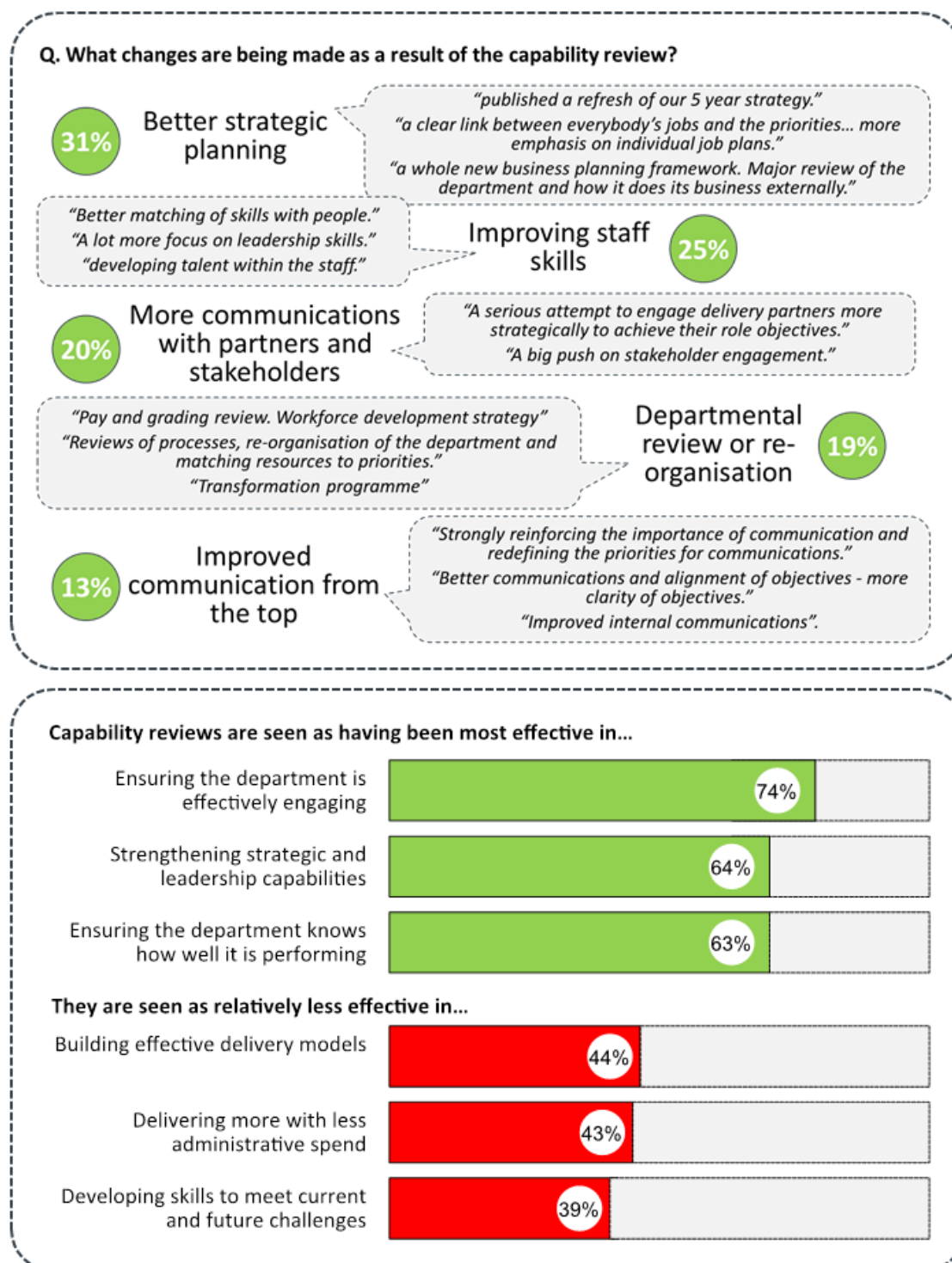
³⁵⁹ Australian Public Service Commission, 'Capability Review Program', webpage, retrieved 16 January 2014. <http://www.apsc.gov.au/aps-reform/current-projects/capability-reviews>

³⁶⁰ Government Communication Service, 'Capability Reviews', webpage, retrieved 16 January 2014. <https://gcn.civilservice.gov.uk/capability-reviews/>

³⁶¹ CSR, interview 2.

³⁶² CSR, interview 21.

Figure 17: The impact and effectiveness of the early Capability Reviews



Source: Opinion Leader, Cabinet Office: Capability Reviews Research with Senior Civil Servants, August 2007. Telephone survey of 338 directors and deputy directors in tranches 1 to 5 of the first phase of reviews

The reviews themselves challenged departments to consider how they needed to adapt in response to the changing environment. One aspect of this was changing the way civil servants conceptualised organisational capability to deliver.³⁶³

‘When I joined the Civil Service, no one talked about leadership; they talked about management, and most commentators would have said that leadership was an aspect of management. Now we’re quite clearly saying that management is an aspect of leadership; we’ve turned that equation completely on its head in a way that’s totally accepted now.’³⁶⁴

The model allowed departments to address capability in a more systematic way – no longer focused on a particular piece of delivery or policy, but on the fundamentals that underpinned delivery across the board. This was seen to validate the idea that capability could be constructively compared across departments. ‘So I think the strength of this was it had never been done before, never done in this way.’³⁶⁵ For example, the Department for Transport uses the capability model when thinking about its change process.³⁶⁶

The perspective the reviews gave to the people involved is seen as one of the reform’s lasting legacies. The reviews made permanent secretaries realise that they weren’t immune from external challenge and support, while making them more open to it³⁶⁷ – potentially helping to pave the way for non-executive members of departmental boards.³⁶⁸ Reviewers also learned from each other and picked up new ideas and routines, some of which continue to be ‘passed around in secret’.³⁶⁹ Many of those involved have gone on to become permanent secretaries.³⁷⁰

Although some journalists were initially sceptical of the reform programme, many came to appreciate its value and the impact it had on Whitehall:

October 2005: ‘The project that clinched [O’Donnell’s] job for him is now rolling and reverberating around Whitehall ... On paper the reviews are a revolution. O’Donnell, not without some passionate infighting, has got the permanent secretaries to agree to publish disclosure of their failings and even put numbers on them.’³⁷¹

August 2006: ‘Despite my own and other misgivings, the departmental Capability Reviews turned out to have teeth after all ... they paint a sorry picture of the first four departments scrutinised.’³⁷²

January 2007: ‘These are remarkable documents ... they spell out multiple weaknesses ... The Cabinet Office reviewers pronounced it not up to the job.’³⁷³

External evaluators and commentators, including the Sunningdale Institute (2007),³⁷⁴ National Audit Office (2009),³⁷⁵ Public Accounts Committee (2009)³⁷⁶ and Reform (2009)³⁷⁷ were likewise positive about

³⁶³ CSR, interview 4.

³⁶⁴ CSR, interview 3.

³⁶⁵ Ibid.

³⁶⁶ Ibid.

³⁶⁷ Leading Change in the Civil Service (hereafter, LCCS), interview 14.

³⁶⁸ CSR, interview 4.

³⁶⁹ CSR, interview 11.

³⁷⁰ Ibid.

³⁷¹ Walker, D., ‘Keeping up appearances’, *Public*, 26 October 2005.

³⁷² Talbot, C., ‘Who’s the weakest link now?’ *Public Finance*, 4 August 2006.

³⁷³ *Public*, ‘Not good, not bad, but indifferent’, News Items, January 2007.

the reviews, but also identified weaknesses – for example the lack of clear, empirically observable connections between the reviews and improving capability to deliver.

³⁷⁴ Sunningdale Institute, *op. cit.*

³⁷⁵ National Audit Office, *Assessment of the Capability Review Programme*, February 2009.

³⁷⁶ Public Accounts Committee, *Assessment of the Capability Review Programme*, July 2009.

³⁷⁷ Haldenby, A., Parsons, L., Rosen, G., and Truss, E., *Fit for Purpose, Reform*, March 2009.

7. Patterns of success?

The analytical framework we used to examine each reform reveals some clear patterns of success and failure. Together with an additional review of a wider set of reforms, we drew some conclusions about the nature of reform in the Civil Service and identified the key factors that lift reforms, as well as common pitfalls that drag down even the most successful.

Reform success in the real world

Even the grandest and most ambitious reform blueprints are no more than partially adopted, let alone implemented. This is true of the mythologised reforms of Northcote-Trevelyan and the Fulton Committee, as well as Edward Heath's long-forgotten Reorganisation of Central Government.³⁷⁸ These failures seem unrelated to the quality (or not) of the thinking, analysis and proposals they contained.

Away from the grand plans, the majority of individual reforms have limped on, tailed off, or been discarded. Those that have achieved varying degrees of success were not tethered to an explicit vision of an improved Civil Service. Even the successful reforms we looked at reinforce the view that the last 40 years of civil service reform has been episodic, incoherent and wasteful.

Generalisations about the success or failure of a reform are thus often meaningless or misleading. Each reform we explored had very distinct phases (at least with the benefit of hindsight), some of which went well, whereas others were the beginning of the end.

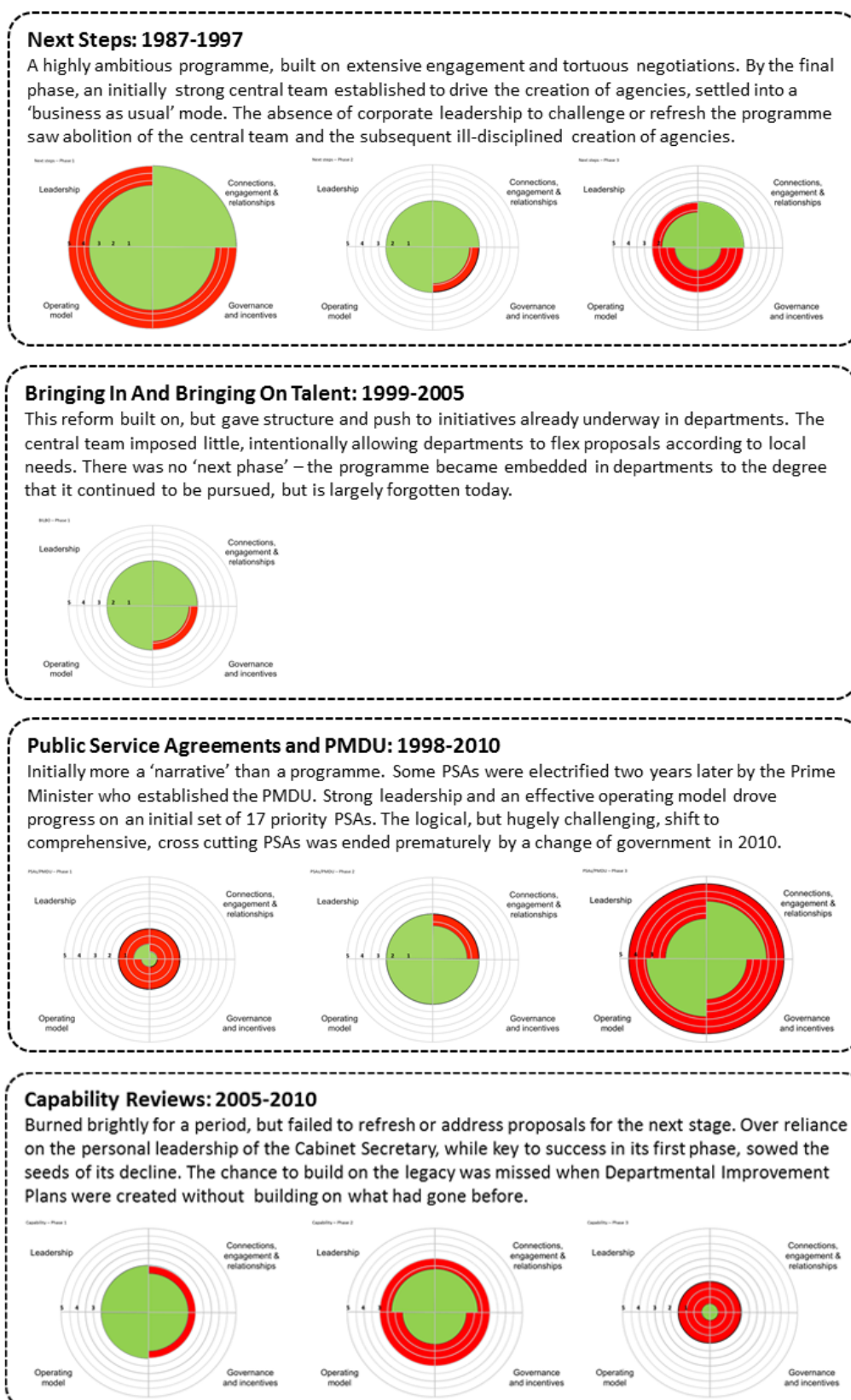
Transitions played a critical role in the life cycle of our reform case studies, but often they were not clearly understood at the time – for example, the loss of a key leader without a wider coalition to take up the next stage; or an evolution in reform goals seen to be straightforward but in fact signalling a profound change in the degree of challenge. The institutional failure to review, refresh and reset also triggered the tailing off of strong phases of reform.

The lesson from the life cycles of these and other reforms is that those that start brightly can soon tail off, and those that start poorly can be electrified to deliver significant benefits. People leading and supporting them need to be more alert to the delicate and complex alchemy of successful reform.

However chaotically and episodically, some elements of these reforms produced lasting, beneficial changes that survived the rise and fall of the leaders, teams, structures and programmes that constituted the reform itself. Many of these are internationally admired, copied and adapted.

³⁷⁸ Lowe, R., *The Official History of the British Civil Service: Reforming the Civil Service*, Routledge, 2011.

Figure 18: The distinctive phases and profiles of reforms



Source: Institute for Government analysis

The accumulation of these reforms has fundamentally, if sometimes unintentionally, changed the Civil Service.

- First, they changed how politicians and civil servants saw their world, roles and the effectiveness of the levers of government.
- Second, they taught them new ways to work, which survived long after a specific reform was wound up – ‘transformative routines’ as the rather ugly academic language of capability describes them.

Sometimes reforms were designed to consciously build on previous reforms, but rarely did they contribute towards any greater design or direction pursued by the most senior leaders of the Civil Service.

Despite this fragmented and incoherent pattern of reform, the performance, composition and ways of working changed, stayed changed and increased the capability of the Civil Service. Of course, all this is work in progress, as no organisation ever finishes improving its capability: ‘Reform is always necessary in the Civil Service – nothing is ever totally solved so it’s always the same topics that come up again and again.’³⁷⁹ And some of these impacts undoubtedly ended up being undermined by subsequent changes.

Our research identified six areas where the reforms were seen by those we interviewed to have left a positive impact and legacy:

1. A stronger sense of personal responsibility and accountability for delivery – whether of policies, projects, programmes or services

‘[PMDU] just changed the entire game ... on accountability and responsibility. It fundamentally said: “You as ministers, and you as civil servants, are responsible for delivery. It is not enough any more to just launch the policy and think that’s the job done.” And that, in a sense, sounds so obvious, but you remember back, that just wasn’t people’s mentality, so I think you cannot underestimate that.’³⁸⁰

‘Every perm sec knows that delivery is a massive chunk of what their job is about now. And that just wasn’t the case 15 years ago.’³⁸¹

‘I saw it [delivery] as defining my job.’³⁸²

2. The use of objectives, performance indicators and measurement to make progress transparent

‘The UK has been successful in developing a fairly comprehensive performance and evaluation system that embraces everything from central government ministries down to frontline services ... the system has become increasingly outcomes-focused ... This system has contributed to substantial improvements in actual performance in a wide range of policy areas ... like health, education and criminal justice. Improvements in service delivery have been most marked.’³⁸³

‘The big change ... that PSAs introduced was the idea that you might set clear objectives ... and targets for the mainstream departments and not just for their agencies or the services in local

³⁷⁹ CSR, interview 21.

³⁸⁰ CSR, interview 15.

³⁸¹ Ibid.

³⁸² CSR, interview 18.

³⁸³ Talbot, C., *Performance in Government: The Evolving System of Performance and Evaluation Measurement, Monitoring, and Management in the United Kingdom*, ECD Working Paper Series, no. 24, 2010, p. ix.

authorities ... Previously politicians and civil servants had been very wary of trying to define too closely what the aims overall of departments were.³⁸⁴

'The civil service tradition of the 70s, 80s and earlier was ... not to be nailed down to a set of objectives.' '[We had] a tremendous battle to get the Home Office to accept it had the objective of reducing crime. Within the Home Office at the time – this is in the early 90s – [this] idea was offensive. A lot of people though it was more to do with justice.'³⁸⁵

'[PSAs and PMDU] was a great step forward in clarifying what departments were for and beginning to measure that in some systematic way. It allowed me in managing the department to assess a sort of balanced scorecard and so on and so forth against some clear objectives ... it gave me a ... starting point for outcome-based management, and it helped me make sure that in the thick of handling events, making statements, launching of initiatives, we didn't lose sight of the fact there was a longer-term purpose here.'³⁸⁶

'There was a lot of good in the PSA framework ... in terms of being really clear about what the Government, collectively, wanted to achieve, and driving at it, and having a very clear and structured regime.'³⁸⁷

[On Capability Reviews] 'I think the permanent secretaries' consciousness were not immune from objective and public measurement. It probably shifted self-definition a lot.'³⁸⁸

3. More open competition for senior roles and greater diversity of the Civil Service

[On the legacy of Bilbo] 'I think the diversity of the SCS [has improved] in every possible dimension, including bringing in people from other parts of government, local government and by open competition from outside ...'³⁸⁹

[On the legacy of Bilbo it was the] 'opening up [of] senior positions in agencies to people completely from outside and saying, "We need good finance people and we need an HR person who's got experience from outside for this huge job" ...'³⁹⁰

'I think [Capability Reviews were] quite a significant personal development experience for quite a lot of the peer reviewers who were involved in it – quite a few NEDs [non-executive directors] have come in as a result of the Capability Reviews, either come in as civil servants or as NEDs.'³⁹¹

[On the impact of Capability Reviews] '[We're] more open to having external people in to provide that challenge and support and [the introduction] of non-execs going on to departmental boards ... seeing how things were done in other businesses, different approaches to them.'³⁹²

4. Greater value placed on the quality of leadership and management

³⁸⁴ CSR, interview 18.

³⁸⁵ CSR, interview 18.

³⁸⁶ Ibid.

³⁸⁷ CSR, interview 16.

³⁸⁸ LCCS, interview 14.

³⁸⁹ CSR, interview 19.

³⁹⁰ CSR, interview 23.

³⁹¹ CSR, interview 2.

³⁹² CSR, interview 4.

[On Capability Reviews] ‘They changed the agenda and the focus and the attention of senior civil servants on to a different agenda from what they used to focus on, because when we started doing them they said: “Ah, we’re all different, you can’t generalise across departments.” Well, within three reviews you could generalise across all departments; the issues were pretty much the same. It changed the leadership agenda for Whitehall.’³⁹³

[Next Steps] ‘improved management by rebuilding organisations around particular functions...[and introduced] a clear idea of what you’re supposed to be delivering’³⁹⁴

5. A more outward-facing organisation connected to the other organisations, perspectives and ways of thinking to inform the policy development process

[On the impact of Next Steps and Bilbo] ‘When I think back to the Civil Service in the 1990s it was still quite closed. It was an unusual civil servant who went to conferences; even more unusual, who spoke at conferences. Quite a closed world ... [Today’s civil servants] are much more confident about going out and finding out what is actually happening and talking to academics, talking to think-tanks. That has loosened up hugely.’³⁹⁵

[On Next Steps] ‘The legacy [was] the idea that the Civil Service interfaces with the citizen [– that is] the key point you really need to get right – and actually there should be more power for individual services ... empowered to correct complaints.’³⁹⁶

[On Next Steps] ‘People still saw themselves at senior levels as policy makers, and if they were doing the operation bits of service, operational bits were run at lower level, but they weren’t managed by people at the top in the way they are now. Policy makers made policy but didn’t influence or help those trying to run the operations. Unrealistic policy – being made without any sense of reality. Then after Next Steps ... [you had] people coming in from outside – Bichard had a big impact at the Benefits Agency, just using the principles of Next Steps, which gave Bichard freedom to do things ... suddenly people talked about the importance of understanding the reality – much more movement of fast stream to spend time in local offices trying to understand. Concepts like customer focus came in.’³⁹⁷

‘[In Next Steps] there were a couple of things that absolutely eventually captured the whole castle. So there was bringing people from outside, which was quite an odd thing to do, quite unusual. And [there was] ceding the organisation to a different sort of person, and those people were much more public and they had a more direct relationship with Parliament.’³⁹⁸

6. Learning and adopting new ways of working, which outlasted the reform that introduced them

‘[On Next Steps] a permanent transformation to turn public business closer to a private business model without losing the public service function or ethos.’³⁹⁹

³⁹³ CSR, interview 2.

³⁹⁴ CSR, interview 23.

³⁹⁵ CSR, interview 19.

³⁹⁶ CSR, interview 23.

³⁹⁷ CSR, interview 27.

³⁹⁸ CSR, interview 20.

³⁹⁹ CSR, interview 22.

[On PMDU] ‘The legacy is partly the tools inside the organisations. The word “trajectory” is still used ... I think that evidence-based policy ... actually showing you can deliver. I think that culture has changed right across the four departments [PMDU worked with] ... The other legacy is some of the people that are now around the system and champion it.’

‘[PMDU models are] simple and they work. I think there’s a legacy of just, “This is how you do performance management properly, but you need to want to do it.” If you don’t, then you’re not going to manage.’⁴⁰⁰

‘That discipline [PMDU tools and processes] was something which departments came to understand, to know how to do and understand and actually value, and I think that probably spilt out into other parts of those departments’ agenda.’⁴⁰¹

‘The tools, discipline and ways of structured thinking [around Capability Reviews] have had a personal impact on me.’⁴⁰²

The lasting difference made by the more effective reforms goes beyond the milestones that were met or the programme outcomes that were delivered. They left a legacy because they affected the fundamental culture and behaviour in the Civil Service.

Nonetheless, even the legacy of successful reforms represents an underachievement. Opportunities to accelerate, refresh, intensify and embed reforms have routinely been missed because most senior officials do not see it worth their while continuing to support a reform agenda destined to tail off at some point, or are anxious to be seen to be delivering the latest new ministerial priority. Even in those rare circumstances when attempts have been made to rethink, refresh and develop the reform, opportunities were squandered because of difficulties in managing crucial transitions, such as a change in leadership, government or ambition.

⁴⁰⁰ CSR, interview 14.

⁴⁰¹ CSR, interview 32.

⁴⁰² CSR, interview 11.

Common success factors and pitfalls

Although there is no single formula for success, we identified 10 factors that are critical at different stages of a reform life cycle – for example, at the very beginning of a reform or at key transition points.

Prepare and take-off

- clarity around the reform idea and purpose
- personalised leadership
- the right degree of political support
- ambitious while connecting with departmental priorities
- the support, or at least permission, of the Treasury.

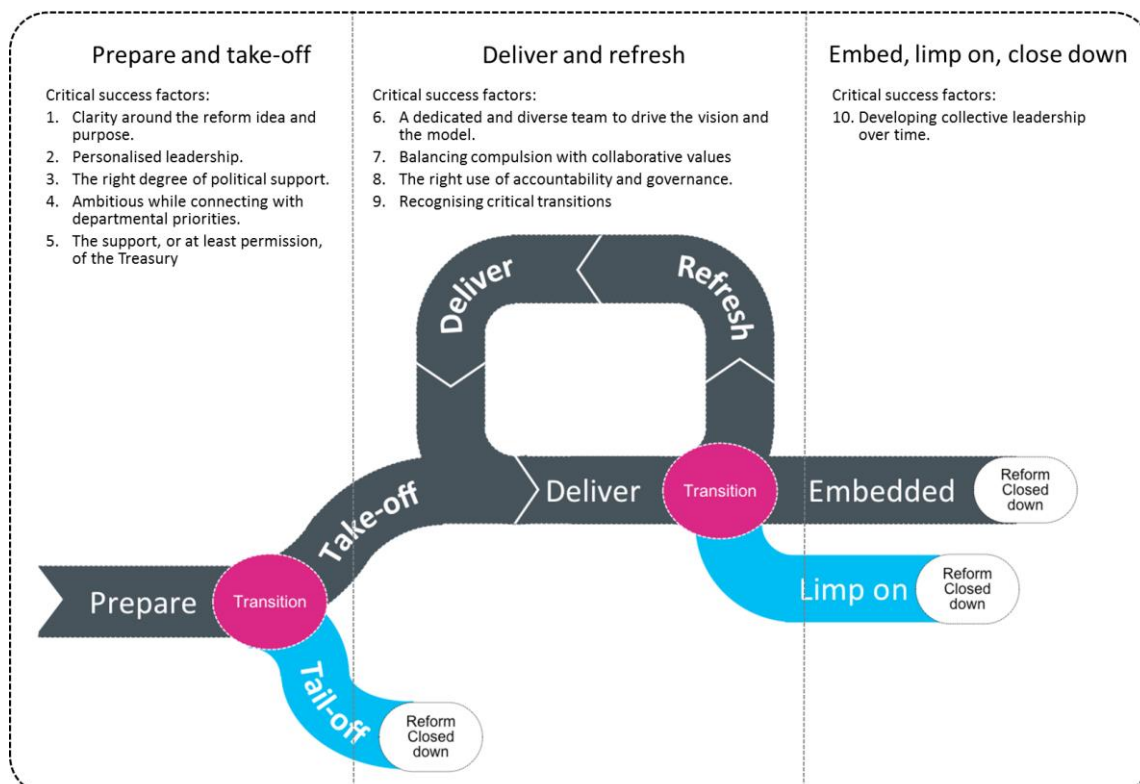
Deliver and refresh

- a dedicated and diverse team to drive the vision and the model
- balancing compulsion with collaborative values
- the right use of accountability and governance
- managing critical transitions.

Embed, limp on or close down

- building a lasting coalition of leaders around reform

Figure 19: Critical success factors that lift or drag down a reform at different stages of its life cycle



Source: Institute for Government analysis

(i) Prepare and take-off

The most critical factors at the prepare and take-off phase were:

- clarity around the reform idea and purpose
- personalised leadership
- the right degree of political support
- ambitious while connecting with departmental priorities
- the support, or at least permission, of the Treasury.

Clarity around the reform idea and purpose

An obvious imperative for successful reform is clarity of purpose and the need for reform. All of the leaders and teams in our case studies either started with or created a shared analysis of what the problems and challenges were and established the need for reform. This usually laid the foundations for gaining wider support and engagement in the design and delivery of the reform. Without this clarity of purpose, there is little point in proceeding further, although it is found to be lacking surprisingly often.

The time it takes to reach this position can vary. For example, in the development phase of Next Steps, two years was spent understanding the scale of the problem, establishing a vision and developing a model for implementation. As the creation of PMDU showed, clarity can be created swiftly, with the unit moving from set-up to signing off its core model within around three months.⁴⁰³ Likewise, in Capability Reviews this process was completed in three months largely because substantial work had already been undertaken in PMDU to identify the critical factors for successful delivery (capability to deliver) and the reviews could draw on two well-established analogous models (PDMU's priority reviews and the Comprehensive Performance Assessments in local government).

Personalised leadership

The presence of a senior leader who is seen to really own the reform idea, invests personal time and sticks with it is critical. Officials are only likely to respond if they believe the leadership is serious.

*'You need a visible champion for all projects by somebody who's got general respect and/or enthusiasm for that particular role.'*⁴⁰⁴

For example, Capability Reviews were personally identified with Sir Gus O'Donnell, then Cabinet Secretary, which sent a strong signal that reform would happen. An enthusiastic and committed leader is not enough, however, as the failure of the Centre for Management and Policy Studies (CMPS) demonstrates. Ron Amman, director of the unit, was enthusiastic about the prospect of developing his own vision for CMPS, building on, but going beyond, the review Richard Bayly had conducted. However, he had not been involved in the original analysis and had few connections inside Whitehall through which to exert influence. Sir Richard Wilson, then Cabinet Secretary and formally responsible for the unit, was distracted by other initiatives and paid little attention to the nascent CMPS, which further deprived Amman of the leverage and support he needed to make a success of the unit.⁴⁰⁵

⁴⁰³ CSR, interview 2.

⁴⁰⁴ CSR, interview 21.

⁴⁰⁵ Haddon, C., *Reforming the Civil Service: The Centre for Management and Policy Studies, 1999-2005*, Institute for Government, July 2012, retrieved 15 January 2014.

<http://www.instituteforgovernment.org.uk/sites/default/files/publications/CMPS%20in%20template%20FINAL.pdf>

Leaders also need to be aware of the ambition intrinsic to the reform and have the leverage to drive it through, which comes not only from their formal position in the hierarchy, but from their personal experience, connections and styles of working. In our case studies, each reform leader came into the role having already established their credibility, reputation and way of working within the system, although several of them had spent much of their career outside the Civil Service.

The energy, drive and purposefully disruptive manner of Peter Kemp was crucial to getting the Next Steps machine up and running – he was seen to be an ‘irritant in the public interest’⁴⁰⁶ but initially relied on Margaret Thatcher and Sir Robin Butler, then Cabinet Secretary, to calm tensions with recalcitrant politicians and permanent secretaries. After a sluggish start, PSAs took off only when a clear leader was found – Michael Barber – who had credibility and a strong relationship with secretaries of state through his previous role as head of the standards and effectiveness unit in the Department for Education and Employment, as well as the highest political backing from Tony Blair. Wilson, Cabinet Secretary from 1998-2002, was personally committed to the Bringing In and Bringing On Talent agenda, but gave Sir David Omand, the Permanent Secretary responsible for the programme, freedom to flex it according to departmental needs. Ian Watmore, previously head of Accenture UK, created strong, collaborative relationships with senior leaders across the Civil Service in his first role as head of the e-government unit in the Cabinet Office, which, in combination with O’Donnell’s unwavering support, was crucial in negotiations about Capability Reviews with resistant officials.

The right degree of political support

Often the assumption is that senior political backing is required for a reform to take off. However, we found that leaders of successful reforms understood the influence of politics on reform goals and made a careful judgement about the extent of political engagement and support required to drive them through.

In the case of Bilbo, politicians were largely indifferent to the agenda, seeing it as a management issue that was of little interest to them. This did not hinder the prospects for reform and all that was needed to get it going was formal sign-off, not active engagement.

In contrast, direct prime-ministerial interest from Blair was crucial to electrifying PSAs in 2001 and integral to the effectiveness of the operating model, governance and incentives during the PMDU phase. These actively engaged ministers alongside their officials, most powerfully in the periodic stocktakes on delivery progress chaired by the Prime Minister:

‘Stocktakes ... seem to me to be disproportionately important because it meant Patricia Hewitt [the Secretary of State] was sitting there, opposite Tony Blair, discussing what was going on in Health. Or Charles Clarke for Education or whoever it was at the time. In the departments where the PMDU was most active, it meant the politicians at the top of those departments were active. It all comes back to: can you get a combination of the civil service leadership and the political leadership both thinking this thing is important? And if you can, then you’ve got a chance to succeed.’⁴⁰⁷

In Next Steps and Capability Reviews, prime-ministerial backing was critical to negotiating with resistant or wary officials and politicians during the early stages.

‘I think [ministers] probably went with [Capability Reviews] because there was a sort of prevailing wind from Blair that he was going to do this anyway, so they kind of thought they ought to. But ...

⁴⁰⁶ CSR, interview 22.

⁴⁰⁷ CSR, interview 21.

they all had a sense of frustration about their departments and they thought, “Actually, this might help”.⁴⁰⁸

Once both reforms were in motion, however, less political engagement was required, and management was delegated to officials. Indeed, in Capability Reviews, a decision was taken to ‘remove the politics’ to prevent the reviews being misused by politicians as a weapon against their departments.

This highlights the importance of understanding how politics can help as well as hinder take-off, and of connecting and disconnecting where necessary to attract the right degree of political support.

Ambitious while connecting with departmental priorities

The reforms we explored aspired to introduce far-reaching changes in Whitehall, but were initially designed to chime with the interests, concerns and priorities of officials rather than challenging them directly.

‘You absolutely would not make any meaningful progress with anything from the Cabinet Office, unless you worked incredibly hard to get traction in departments ... The departments all have their own massive agendas, and they will play into the central agenda if it suits them, and if they have to. If they do it because they have to it’s not really accepted and they’ll give up the moment they get a chance.’⁴⁰⁹

Too often leaders rush to implement reform without actually being explicit about their operating model – let alone having consulted on, tested or improved it. The accidental birth of PSAs strongly reflects this default tendency. Neither officials nor politicians really understood what their purpose was beyond introducing targets in the delivery of public services.

In contrast, the act of co-producing, led by the dedicated central unit or team, was a strong characteristic of the operating model of Capability Reviews and Bilbo, and central to ensuring that when the reforms were formally launched, they resonated with the priorities of departments. For example, the Capability Review Team conducted around 100 interviews and ran seven to eight workshop sessions with senior officials to develop and test the method and approach for conducting reviews. This culminated in an intensive, two-day workshop in Woking that was used to co-design the purpose and approach to reviews.

In Bilbo, the working group regularly consulted and improved the proposals with a group of permanent secretaries; they were then agreed and signed off at the Sunningdale gathering. This meant that when the reforms formally began they were articulated in a language that resonated with and reflected the concerns, values and priorities of civil servants. This secured early buy-in for the process, which was critical to sustaining the reform through initial difficulties.

The Next Steps initiative is interesting as it jarred with the existing paradigm more than any of the other reforms we looked at. The initial reform posed a serious challenge to the control wielded by the Treasury, senior politicians and officials. Kemp, the first head of the Next Steps unit, was a maverick leader, seen by some as valuable grit in the system and by others as ‘anti-Civil Service’. But he arrived after an extensive phase of engagement and analysis, which ensured that the proposals carefully reflected the concerns of middle management across the Civil Service. The reform also built on the previous five years of reforms: ‘It was the only bit of Thatcher’s agenda on which there was consensus... I thought this one would work because it went with the grain of Raynerism and the Financial Management Initiative.’⁴¹⁰

⁴⁰⁸ Ibid.

⁴⁰⁹ CSR, interview 32.

⁴¹⁰ CSR, interview 22.

A few years into the reform, the Next Steps unit had successfully changed the context such that agencies were the norm, opposition was muted and it was no longer seen as insurgent or controversial.

The importance of connecting with, rather than hectoring, senior officials is emphasised by two noted, but largely failed, reforms – the Northcote-Trevelyan (1854)⁴¹¹ and Fulton Committee (1968) reports.⁴¹² Each was notable for the abrasiveness of its language and tone, which unsurprisingly failed to engage or connect broadly with ministers or senior officials.⁴¹³ Their lurid, much quoted, critiques of the Civil Service might explain why they are still remembered, but as Francis Pym said when debating Thatcher's civil service reforms in the early 1980s: 'It is not clear to me how you get the best out of people by lambasting them.'⁴¹⁴

Support, or at least 'permission', from the Treasury

The Treasury can electrify, undermine or suffocate any reform – many see it as the missing leader of civil service reform.⁴¹⁵ This insight generated the strongest positive reaction from senior officials at a private Institute workshop to test findings from our research.

*'It's very difficult for the Cabinet Office on its own to make much progress. It tends not to have any sort of political sponsorship; it hasn't got any grip on the levers that the Treasury has.'*⁴¹⁶

For example, the Treasury's support was critical to getting Next Steps off the ground. Nigel Lawson was eventually won round when he became convinced that the reform fitted with the political commitment of using market models for public service delivery and was a first step towards more extensive privatisation.⁴¹⁷

Barber was very careful to create a good fit between PMDU and Treasury PSAs, and developed a strong working relationship with the Treasury's then managing director of public services, Nick Macpherson, whose active support helped PMDU's progress at a time when the relationship between Blair and Gordon Brown was increasingly fractious. Close working between PMDU and the Treasury spending teams was cemented by their co-location in the Treasury building, even though PMDU was formally part of the Cabinet Office.⁴¹⁸ After 2007, the PMDU was formally integrated into the Treasury and Shostak, head of PMDU, sat on the Treasury executive team, which gave PMDU further authority to undertake an overhaul of the performance management machinery.

Yet historically the Treasury has been seen to lack interest in driving managerial civil service reform.⁴¹⁹ A significant number of reform efforts have been devoted to trying to resolve the fragmentation of central interest in leading the Civil Service. For example, in proposing the creation of the Civil Service Department in 1968, Fulton argued:

⁴¹¹ House of Commons, *Report on the Organisation of the Permanent Civil Service* (Northcote-Trevelyan report), 1854, retrieved 17 January 2014. <http://www.civilservant.org.uk/northcotetrevelyan.pdf>

⁴¹² Fulton, Lord, *The Civil Service: Vol 1. Report of the Committee 1966-68*, London, 1968, retrieved 16 January 2014. <http://www.civilservant.org.uk/fultonreport.shtml>

⁴¹³ Lowe, op. cit.

⁴¹⁴ Lowe, op. cit., p. 249.

⁴¹⁵ Private IfG workshop, November 2013.

⁴¹⁶ CSR, interview 18.

⁴¹⁷ Kemp, P., in Kandiah, M., and Lowe, R. (eds), 'The Civil Service Reforms of the 1980s', CCBH Oral History Programme, 2007, p. 112.

⁴¹⁸ CSR, interview 2.

⁴¹⁹ CSR, interview 26; CSR, interview 28; CSR, interview 29.

'The "central management" of the Service should be positively and creatively concerned with maintaining and improving the standards ... It should therefore be a separate institution with a single-minded devotion to its professional purpose; and should be in a position to fight, and to be seen fighting, the Treasury on behalf of the Service.'⁴²⁰

Familiar patterns of reform ideas recur: from splitting off the Head of the Civil Service role and functions from the Treasury by creating a Civil Service Department; to splitting and recombining the roles of Head of the Civil Service and Cabinet Secretary; to various efforts to get support for an American-style Office of Budget and Management, first mooted in the 1960s⁴²¹ and again in secretive work led by Lord (John) Birt in the run-up to the 2005 election;⁴²² and, of course, the hardy perennial of proposing a Prime Minister's Department.

(ii) Deliver and refresh the reform

After a reform has taken off and settled into delivery mode, there is less need for sustained, personalised leadership at the highest level, as the central reform team can often help the process tick along. But each reform we explored faced demanding transitions that threatened its effectiveness or continuation.

The crucial factors in play during this phase were:

- a dedicated and diverse team to drive the vision and the model
- balancing compulsion with collaborative values
- the right use of accountability and governance
- managing critical transitions.

A dedicated and credible team to drive the vision and the model

Much of the drive, energy and vision for reforms comes from a dedicated central team or unit, which tends to thrive on permissive and open-minded leadership from the owner of reform. In each of our case studies the team was given the freedom to explore and develop the right operating model. And those they reported to were open-minded enough to accept proposals that did not always match their own preconceptions.

Dedicated capacity is not enough, however. The composition, credibility and way of working are critical to combat the default assumption that the team is 'just another central unit' that chases progress and updates reports in a way that creates a bureaucratic burden but adds no value.

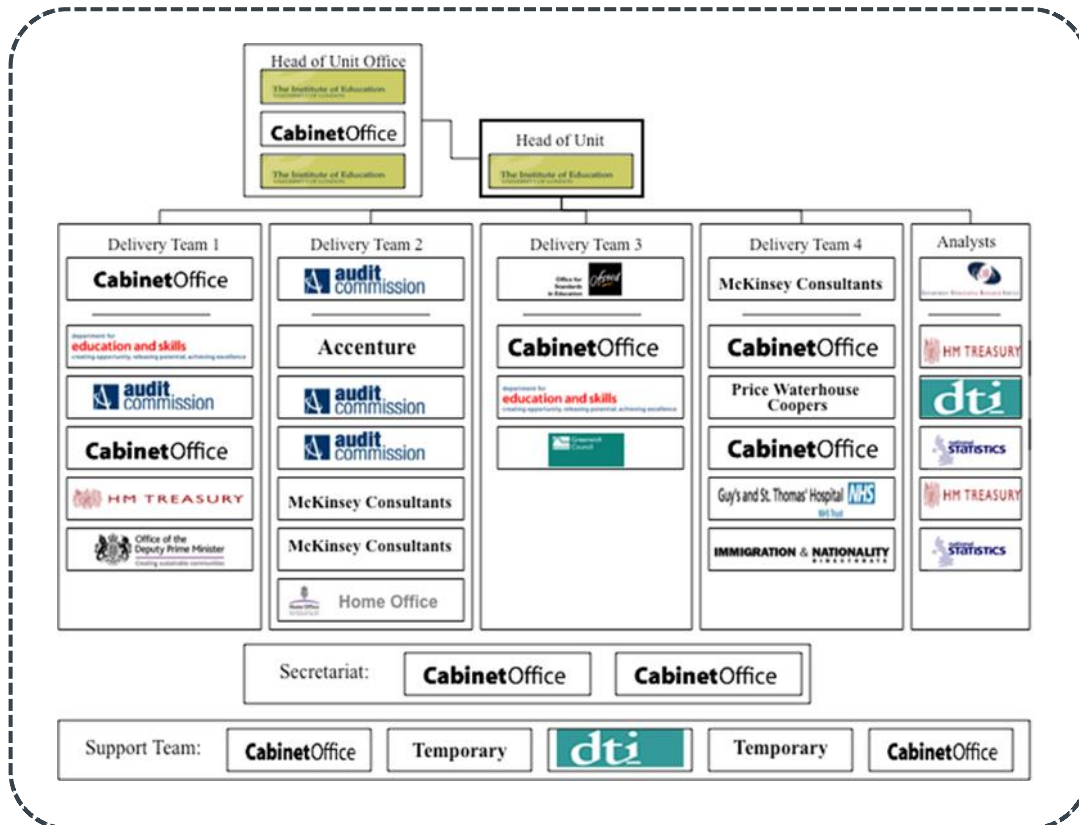
Every reform team we researched contained a mixture of insiders and outsiders, which was critical to developing an effective reform design. The presence of maverick, disruptive thinkers with experience, skills and connections beyond Whitehall meant that lessons from analogous programmes in the private sector and elsewhere in government were used to inform the design, while the presence of career civil servants meant that it was appropriately tailored to the incentives and accountabilities of the Civil Service.

⁴²⁰ Fulton, Lord, *The Civil Service: Vol 1. Report of the Committee 1966-68*, London, 1968, retrieved 16 January 2014. <http://www.civilservant.org.uk/fultonreport.shtml>

⁴²¹ Lowe, op. cit.

⁴²² CSR, interview 2.

Figure 20: Diversity of PMDU in 2003



Source: 'Previous work locations of Delivery Unit staff, 2003-04' in Barber, M., *Instruction to Deliver*, 2000, p. 407

The values and way of working were also critical to these teams' effective functioning. In the case of PMDU and Bilbo, in particular, but also Capability Reviews, the teams showed empathy for departmental challenges, worked hard to engage and connect with departmental agendas, and earned credibility by adding value to them.

'PMDU are unique in that they think their job is to ask the right question – not to know the answer.'

'They work alongside us and feel like partners.'

'Methodologies are good and calibre of people high.'

'Never threatened by PMDU interest. PMDU add value, always positive.'

'PMDU are the bit of the centre who genuinely are trying to drive change and progress.'⁴²³

The units were deliberately kept small, focused, but well-resourced with high-calibre people. Barber was delighted every time select committees asked how large his unit was to the nearest hundred, replying 'zero'.⁴²⁴ Likewise, the Next Steps unit was seen to be effective during the early stages of reform when the team numbered no more than 10, but lost some of its power as it grew over time.

Balancing compulsion with collaborative values

⁴²³ Private document, CSR, interview 2.

⁴²⁴ Barber, M., *Instruction to Deliver: Fighting to transform Britain's public services*, Methuen, 2008, p. 63.

A serial leader of cross-civil service reform remarked: ‘You achieve nothing in government or on a cross-government basis without some degree of compulsion. But [the] “do it because I said so” approach ultimately fails as well. So you’ve got to win hearts and minds and have the compulsion.’⁴²⁵

Most successful reform phases struck the right balance between the use of compulsion and persuasion, which enhanced the credibility of the reform, while giving it a hard edge. For example, the PMDU model was based on an open and supportive style of working, which involved taking joint responsibility for progress and collaboratively solving problems – yet at its heart was a stocktake process in which the relevant departmental minister or officials were held directly accountable for performance by the Prime Minister.

‘Barber was seen as someone who is helping departments cope with what is seen as a deficiency in delivery – departments saw it as a deficiency ... [his message was] recognise the pressure from the top. This is the new world – I’m not telling you what to do; I’m going to come and work with you. You decide what you measure and how you do it – we will give you some tools.’⁴²⁶

‘You can be tough, and they’ll work with you, more than happy [for you] to be tough if you are helping them ... you can help them in loads of ways, particularly by freeing up them to do what they need to do.’⁴²⁷

Capability Reviews adopted a similarly supportive style of working, but the reviews were honest, hard-hitting appraisals of departmental capability that naturally caused some discomfort for senior officials. O’Donnell, however, maintained that the reviews were non-negotiable and that every department had to have one.

‘Gus [O’Donnell] was particularly good at [balancing compulsion with persuasion] ... He made it clear that certain things were non-negotiable and were going to happen regardless ... but at the same time, he spent quite a lot of time trying to persuade ministers and some of his colleagues that this was the right thing for doing, not just the thing that we had to do because we were being told to do it.’⁴²⁸

Centrally-led reform more often gets this balance wrong, as the present generation reflect:

‘I think this idea of diktat to drive the changes, which is the lever that they tend to use, doesn’t work desperately well.’⁴²⁹

The right use of accountability and governance

It seems counterintuitive to observe that formal governance and programme management arrangements were of marginal relevance to success in our case studies. These were often seen as irritating, time-wasting and sometimes a barrier, rather than an enabler of reform.

‘I can’t do anything without going through committees and groups and teams. It just wears you down.’⁴³⁰

⁴²⁵ CSR, interview 21.

⁴²⁶ CSR, interview 27.

⁴²⁷ Ibid.

⁴²⁸ CSR, interview 21.

⁴²⁹ LCCS, interview 12.

⁴³⁰ CSR, interview 13.

*'It's over-governed ... I can't actually differentiate what each [board] is actually looking at ... rather than have a supportive role, it's more of an audit; it's more of a calling us to account each time. It's constant.'*⁴³¹

Instead, success seems more likely if personal accountability is integral to the reform design. For example, Barber deliberately designed the stocktake process to provide a strong sense of theatre in the cabinet room to make ministers and officials feel accountable to the Prime Minister for performance. Active, face-to-face leadership, collaboration and co-production are far more likely to get alignment and action than committees and scorecards.

*'The key thing was Blair's interest ... he harried us to do better and be tougher... [With the other PSAs] where the Prime Minister wasn't doing it, it wasn't as though Gordon [Brown] was doing it ... as far as I know he never had any meetings.'*⁴³²

Likewise, incentives are crucial to encouraging buy-in and action. These can take many forms – for example, the Capability Reviews scored and benchmarked each department. This fuelled permanent secretaries' natural competitiveness and incentivised them to take review outcomes seriously, and so improve.

*'Permanent secretaries were resistant to the idea of scoring and were adamant that league tables should not be produced. Yet at the first Wednesday morning meeting when scores were shared collectively you could see the permanent secretaries furiously converting the traffic-light ratings into cumulative scores to see where they stood in the pecking order.'*⁴³³

Those leading Bilbo used a more subtle approach, perhaps because they had already created commitment among an influential group of senior permanent secretaries, who shared a belief that something had to be done to improve the pipeline of talent for senior jobs.⁴³⁴ Departments were allowed to pick and choose the elements of the plan that best fitted their individual circumstances, but the consequences of opting out of the agenda were visible and clear – those who had not had experience outside their department (such as a secondment to an arm's-length agency) were seen not to be promoted to the senior ranks of the Civil Service. This changed the expectation that a life-long career in Whitehall policy-making was the only route to the top, and in effect compelled departments to get on board with the agenda of opening up the Civil Service.⁴³⁵

Managing critical transitions

In some of our case study reforms, the strength of the operating model and the quality of the team meant they could weather significant changes in leadership at the official and political level.

For example, when the Capability Review Team moved from PMDU under Watmore's leadership, to the Civil Service Capability Group (CSCG) under Gill Rider's leadership in 2007, two years into the reform, this did not necessarily present a challenge to the continuation of the reform as it stood. A process for conducting reviews was established, widely accepted and could easily roll on by virtue of the strong model and the capability of the central team.

⁴³¹ CSR, interview 8.

⁴³² CSR, interview 21.

⁴³³ CSR, interview 2.

⁴³⁴ CSR, interview 27.

⁴³⁵ Ibid.

Similarly, in Next Steps, when Kemp left the Civil Service in 1992, there was a standard agencification process and the Next Steps unit was skilful in applying it, which meant that Richard Mottram did not have to provide the same level of direction and energy to the process of agency creation as his predecessor, but just had to help it along.⁴³⁶ Nonetheless he overcame the significant challenge of keeping the reform connected with the quite distinctive priorities of John Major and Cabinet Office minister William Waldegrave:

'When it was set up ... the fact that Mrs Thatcher backed it was crucial ... by the time I got there you've got Major as Prime Minister ... would it simply be forgotten and just vanish? I spent quite a bit of time with Waldegrave and others to integrate a storyline ... "Look, this is how it all falls together; this is how Next Steps fits into Competing for Quality and how they both fit into the Citizen's Charter".'⁴³⁷

There was also extensive contact with the Labour Opposition prior to the 1992 and 1997 elections. This meant that the reform wasn't heavily identified with the political dispositions of one party, but accepted as a better way of managing the Civil Service and retained when Labour came to power in 1997.

For PSAs and PMDU a major transition came when Brown replaced Blair as Prime Minister in 2007. This leadership transition could have spelt the end of Capability Reviews, if it had not been managed effectively. Extensive and successful efforts were made, however, to persuade Brown and his advisers of the value of PMDU in realising their objectives, which underlines the fact that building connections and relationships is as important to the continuation of a successful reform as it is to take-off.⁴³⁸

(iii) Embed, limp on or close down

Even if a reform has succeeded in managing difficult transitions, the eventual winding down of a reform process is inevitable given the size, complexity and multifaceted nature of the Civil Service. Closedown can often be the right thing to do.

However, in our case studies, closedown was neither desirable nor done well, with the exception of Bilbo. There are critical moments when leaders need to seize opportunities to build on the successes of previous phases to refresh and reinvent the reform. In both Capability Reviews and PSAs, officials attempted to refresh the reform to support the new focus on cross-cutting objectives after 2007. These efforts ended up being unsuccessful or terminated prematurely. We found one key factor which was critical to these reforms in their later phases: building a lasting coalition of leaders around reform.

Building a lasting coalition of leaders around reform

Bilbo stands out as the one case study that was overwhelmingly official-led and supported by three successive cabinet secretaries, albeit in different ways. As one leader reflected:

'If you want to change an organisation, leadership has to believe in it. It takes years. You have to be consistent, just keep going ... doing sensible things, and then gradually people get confidence that it's changing for the better. And you get a positive spiral, more momentum builds up and, before you know where you are, you've got a great position.'⁴³⁹

⁴³⁶ CSR, interview 20.

⁴³⁷ Ibid.

⁴³⁸ CSR, interview 31.

Leadership and stewardship of our other case study reforms, however, tended to be excessively reliant on the personal authority and credibility of one particular leader. This personalised leadership, while critical to take-off, can paradoxically sow the seeds of decline later on. Too often these leaders fail to engage a wider cadre of leaders in developing and challenging the reform.

For example, the PMDU stocktake process heavily relied on the Prime Minister holding departments directly to account – however, as Blair turned his interest to Iraq post-2003, stocktakes began to drop off and the PMDU model sometimes lost the hard edge critical to success. A few years later, in 2008-09, the Conservative Opposition advocated abolishing central targets altogether. Given that the PSA/PMDU machinery was seen as the hallmarks of the New Labour government, it became difficult for officials to persuade the opposition of the value of the new cross-cutting regime. As a result, PSAs were abolished immediately after the Coalition came to power in 2010.

Similarly in Capability Reviews, the reform became personally identified with O'Donnell – his commitment and follow-through were critical throughout – but his loss of focus after 2010 because of his preoccupation with the economic downturn and the new Coalition Government left a leadership vacuum that allowed the core elements critical to the effectiveness of the operating model to be lost with the move to self-assessment.

'There was a real vacuum around this at the time. Gus ... was more focused on guarding the legacy of them than building something on them ... nobody else was jumping around saying, "Look, I've got a strong vision for this stuff".'⁴⁴⁰

This depressing loss of momentum is mirrored in departmental change programmes – which seem to have a shelf life of around 18 months, routinely discarded by a new incoming permanent secretary.

'There is an initial period where you need somebody to push and shove and kick and cajole and persuade and so on, just to get the thing going. But if it only ever rolls with that person doing that activity, then it will die with that person.'⁴⁴¹

For a reform to survive the departure of its initial leader, it is critical to broaden ownership to a wider group of permanent secretaries, who can pick up the baton or refresh the reform.

You might expect the most senior leadership team and the formal governance of the Civil Service – at the time, the Civil Service Steering Board – to address these challenges. But these are underdeveloped and fragmented in practice. This reflects the reality that most senior leaders do not see themselves as part of an active corporate leadership team that is responsible for the stewardship of the Civil Service through successive governments. One interviewee contrasted their private sector leadership experience with the situation in the Civil Service:

'In my private sector role, change has to start burning in the heart of one person at the top of the organisation. It has to be led by someone very senior with a lot of credibility, who can galvanise the team around them and bind the team in so the team becomes an advocate ...

'But those people aren't working like the permanent secretaries, with each one working for a different minister with a different set of personal priorities and political ambitions and power plays in a very dysfunctional structure. It's a very big top team, 15 or 16 of them all working to

⁴⁴⁰ CSR, interview 4.

⁴⁴¹ CSR, interview 21.

ministers, none of them wanting to work to one minister at the centre ... you have to be even more determined to get those 15 people into the tent and working on the same agenda.⁴⁴²

This emphasises the importance, but also the difficulty, for reform leaders of developing a collective leadership around reform at a later stage. It involves building a shared view about what a better Civil Service would look like and the approach to getting there.

⁴⁴² LCCS, interview 16.

8. Conclusion

To borrow Enoch Powell's conclusion on political careers – most civil service reforms seem destined to end in failure of one sort or another. Consequently even the legacy of these successful reforms represents a significant underachievement.

Opportunities to accelerate, refresh, intensify and embed reforms have routinely been missed, as senior officials and ministers did not see it worth their while to support a reform agenda associated with their predecessors. Even in those rare circumstances when attempts were made to rethink, refresh and develop the reform, efforts were often thwarted by difficulties in managing crucial transitions, such as a change in leadership at the official or political level.

Leaders of current reforms can use our framework and insights to overcome this default tendency and change the prospects for success (see Annex 2). The insights we have drawn from the case studies of successful reforms provide practical guidance on how to avoid or tackle common pitfalls and hurdles that face all reform efforts.

But what are the implications of the broader patterns for those leading reforms today?

The underachievement of swaths of reform over time (as opposed to individual reforms at a particular moment) seems to be the result of three systemic issues revealed by this, and previous, Institute research.⁴⁴³

1. Leadership is too personalised, and fails to survive crucial transitions.
2. The role of 'steward of the Civil Service' is underdeveloped and somewhat contested.
3. There is an absence of a corporate leadership team that engages today's and tomorrow's leaders in developing a shared narrative of what the future Civil Service needs to look like and what is required to get there.

Taken together, these describe a fundamental weakness in the corporate leadership of the Civil Service, which we reflect on in detail in our report *Leading Change in the Civil Service*.⁴⁴⁴

Should today's leaders be tempted to conclude that these lessons belong in history where they were found, some comments from current senior leaders who are committed to change in their own departments show the issues remain as current as ever.

⁴⁴³ Page, J., Pearson, J., Panchamia, N., Thomas, P., and Traficante, J., *Leading Change in the Civil Service*, Institute for Government, February 2014; Paun, A., and Harris, J., *Accountability at the Top: Supporting effective leadership in Whitehall*, Institute for Government, December 2013, retrieved 16 January 2014.

<http://www.instituteforgovernment.org.uk/sites/default/files/publications/Accountability%20at%20the%20top%20-%20final.pdf>;

⁴⁴⁴ Page, J., Pearson, J., Panchamia, N., Thomas, P., and Traficante, J., *Leading Change in the Civil Service*, Institute for Government, February 2014.

'They all say similar things but not the same thing and they haven't got themselves aligned.'⁴⁴⁵

'What you need is a strong team working together on the basis of trust ... if you fall out you will not do it ... The leadership requires a team that has a common, positive vision and works together well. If you are divided, everybody looks up. The Civil Service appraises upwards the whole time. They watch what is going on, and they draw their own conclusions. They hunker down, and things will not happen. You need united political will and then you will succeed.'⁴⁴⁶

'Centrally planned reforms are a bad idea and they almost always fail ... you have to get local ... [we tried] to get people enthusiastic about what we ought to be like. So you describe what the state will be in the future ... does anyone really object to that? ... No, but they all have slightly different views about how you do get there, and that's not a bad thing because they may be doing things anyway which will get you there.'⁴⁴⁷

'If you want to make a dent on a big organisation you need leadership that has a narrative. It will be personally identified. And [staff] won't do it for the Cabinet Secretary and they won't do it for the Prime Minister, but they'll probably do it for their own [departmental] leader if they believe the leader is being honest and straightforward and they actually buy into what is being done ... You have to find ways of building up the leadership position of the permanent secretaries in order to let them link [departmental staff with civil service-wide reforms].'⁴⁴⁸

This gap in corporate leadership of the Civil Service transcends the occupants of top posts in different eras. In a decade when the Civil Service faces extraordinary challenges – which demand strong and sustained corporate leadership – current, and future, leaders of civil service reform need to absorb these lessons and act on them quickly.

⁴⁴⁵ LCCS, interview 16.

⁴⁴⁶ Lord Wilson at the Public Accounts Committee, 'Minutes of evidence', HC 74, 29 January 2013, retrieved 17 January 2014. <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubadm/74/130129.htm>

⁴⁴⁷ CSR, interview 19.

⁴⁴⁸ Ibid.

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Annex 1. Ratings for the reforms

This table shows the ratings developed for each phase of each reform.

Phase of reform	Next Steps (1986-1997)			PSAs (1998-2010)			Capability Reviews (2005-2012)			BILBO (1999-2002)
	1988	88-92	92-97	98-01	01-04	07-10	05-07	07-09	10-12	99-02
Ambition 1 (low) – 4 (high)	4	3	2	2	3	4	3	4	1	3
Context/environment -1 (supportive) - +1 (constraining)	+1	-0.5	+0.5	-0.5	-0.5	+0.5	-0.5	-1	+0.5	-0.5
Degree of challenge 1 (low) – 5 (high)	5	2.5	2.5	1.5	2.5	4.5	2.5	3	1.5	2.5
Leadership	75%	100%	75%	50%	100%	50%	100%	75%	25%	100%
Connections, engagement and relationships	100%	100%	100%	25%	75%	75%	75%	75%	25%	100%
Operating model	75%	100%	50%	25%	100%	75%	100%	50%	25%	100%
Governance and incentives	75%	75%	50%	25%	100%	50%	75%	50%	25%	75%

Annex 2. A tool for taking stock of a reform's prospect for success

The framework and rating tool provided in this report can be used to take stock of a reform's prospects for success and the steps required to make further progress. We outline the process below, which draws on the model of PMDU Priority Reviews and the Capability Reviews. The team conducting the stocktake would include two members of the reform team, a DG from another department, a director from the high potential development scheme, two high-potential Grade 7s and a member of the central civil service reform team, who would manage the overall process. The sponsorship of the Head of the Civil Service, Cabinet Secretary and the Minister for the Cabinet Office (MCO) for this process is crucial to ensuring that steps are taken to make further progress.

Stage 1: Set-up, familiarisation, focus and planning

Number of days for each team member: 1 plus pre-reading.

Activities:

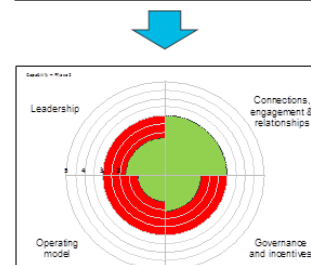
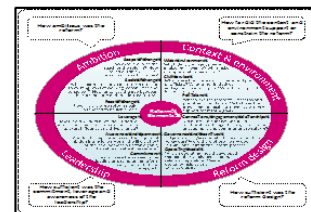
1. Pre-read for stocktake team members before kick-off day – documents, progress reports etc related to the reform.
2. 1 day kick off for stocktake team:
 - Hear from SRO, reform 'leader/owner', central civil service reform team.
 - Introduction to the stocktake process and key tools of the framework.
 - Exercise to familiarise themselves with the tool and insights from the research on past reforms.
 - Team splits: to carry out some initial interviews with those managing and delivering the reform.
 - Identify some initial key lines of enquiry and develop outline plan for who they need to interview, and what workshops or other activity are needed to assess the status of the reform using the 'framework'
3. Team support to set up interviews and workshop for the 2 days intensive fieldwork.

Stage 2: Fieldwork, analysis and initial assessment

Number of days for each team member: 2.5 split across a week.

Activities:

1. Carry out interviews in pairs. Record and share findings against the framework. Sharpen focus for remaining interviews and workshop.
2. Run one 2 hour workshop with mix of reform leaders, managers and those key to delivering the reform. Get them to rate their reform using the rating tool. Also get them to generate ideas about closing key gaps.
3. Stocktake team have extended team session to assemble story against the framework, do an initial rating exercise, and brainstorm on how to improve the prospects of the reform's success.
4. Some team members provide initial feedback and assessment to reform leader/owner/SRO to validate assessment and discuss their thoughts on whether and how to take action to tackle key gaps.
5. Plan final stage.



Stage 3: Testing and refining assessment and proposals

Number of days for each team member: 1.5 split across a week.

Activities:

1. Limited interviews with key players to test and refine assessment and proposals to improve prospects of reform success.
2. Team session to finalise proposals and presentation.
3. Final discussion with SRO to agree joint presentation
4. Present findings to reform leaders/MCO/HoCS/Cabinet Secretary/NED from reform board.

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