

Public Administration and Constitutional Affairs Committee

Oral evidence: Civil Service Effectiveness, HC 497

Tuesday 19 December 2017

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Members present: Mr Bernard Jenkin (Chair); Ronnie Cowan; Paul Flynn; Mr Marcus Fysh; Mrs Cheryl Gillan; Kelvin Hopkins; Dr Rupa Huq; Mr David Jones; David Morris.

Questions 295-374

Witnesses

I: Professor Andrew Kakabadse, Henley Business School, and Julian McCrae, Institute for Government.

II: Sir Ian Cheshire, Government Lead Non-Executive, and Catherine Brown, Cabinet Office non-executive.

Written evidence from witnesses:

– [Professor Andrew Kakabadse](#)

Examination of witnesses

Professor Andrew Kakabadse and Julian McCrae.

Q295 **Chair:** Can I welcome our witnesses to this evidence session about our inquiry into Civil Service effectiveness? My apologies that you are sitting so far away in this rather large room, but please do not let it put you off. Could I ask each of our witnesses to identify themselves for the record, please?

Professor Kakabadse: Andrew Kakabadse, a professor at Henley.

Julian McCrae: Julian McCrae. I am deputy director at the Institute for Government.

Q296 **Chair:** I should perhaps declare an interest: I am a visiting lecturer at the Henley Business School in governance and leadership.



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I think we will plunge straight in. You are both familiar with the inquiry that we are conducting. Professor Kakabadse, you have been undertaking a research project with Ministers and civil servants over the past few months. What are the key questions at the centre of your research?

Professor Kakabadse: There was one central question, and that was: is the Civil Service fit for purpose? Very early on in the investigation that question was inappropriate because of the comments that came from Ministers, from political advisers, from non-executive directors and outsourcing agents, but the question that led this investigation is: is government fit for purpose?

Q297 **Chair:** And?

Professor Kakabadse: It is not. Basically, what has emerged is that the central theme is the relationship between the Permanent Secretary and the Secretary of State. Successive Secretaries of State told me that their job is fundamentally 20% policy creation in Parliament, with their constituents, with the press and media, but 80% is policy delivery. This investigation really began to understand what the dynamics are of effective policy delivery.

The chemistry, that sensitive relationship, between the Permanent Secretary and Secretary of State fundamentally dictates all. If the relationship is progressing well, we do have a policy delivery process that is fairly efficient. If the relationship is troubled, we have a number of concerns.

One number that was given to me is that about 52% or 53% of the Secretary of State-Permanent Secretary relationships have a dysfunctionality that could damage that relationship at any time. Another number that was given to me is that only 10% of the relationships could go wrong at any time. My conclusion is that both of those numbers were right. They simply reflected what was happening at the time.

Critically, the Civil Service has emerged as devoted to the Secretary of State, trying to do their very best to work with the Secretary of State and work with that political agenda, and I have concluded that the best policy adviser the Secretary of State has is the Permanent Secretary. Where inconsistencies arise, it is with the Secretary of State, and often for good reason there may be a change of political imperative. There may be a change externally so the Secretary of State has to go in a slightly different direction. What I have found is that the civil servants are conscious of that and try to do their best to assist the Secretary of State to go down that particular direction.

In a minority of cases I have found that the tension between Secretaries of State themselves damages the policy delivery process. A question mark arose, which is: to what extent is Cabinet responsibility really believed in? But nevertheless, what drives that relationship and what



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drives the policy delivery process is the political imperative that the Secretary of State for whatever reason decides to pursue.

I have found civil servants at times being a bit defensive, at times inhibited, and the reason for that is that they have found it very difficult to get a message through to the Secretary of State. The overall conclusion is that the Civil Service does not require that much attention; it is the Secretary of State who requires strengthening, in two particular areas. Where a relationship does go wrong—we looked at Secretaries of State from the past and the present, of all parties—it is in the first three months, and funnily enough it was the civil servants that drew that three-month transition to our attention. During those initial three months most civil servants identified themselves as trying to understand their Secretary of State, trying to get on the same wavelength as their Secretary of State, trying to appreciate the range of issues the Secretary of State had; and, like any new relationship, things go wrong, things do not quite work out, and when we have found Secretaries of State who—what can I say—are less reflective, they would build up a picture of the Civil Service based on those three-month periods.

If have gone into one Department as Secretary of State, I go to another Department, I go to a third Department, and, lo and behold, what do I find? Certain civil servants may be seen as blockers, may be seen as conservative or may be seen as inhibiting. The civil servants, funnily enough, said, “Yes, we made mistakes”, and they were deeply conscious of some of the errors that they made. So one finding is that that initial three-month transition period is absolutely vital to get right.

A further finding is the involvement of Secretaries of State in activities that you might call managerial, such as sitting on appointment committees as civil servants or, for example, being chairmen of the departmental boards. The overall result is that even if that appointment was well made for that Secretary of State at that moment in time, six or nine months later that individual may leave, and what we have is the same Civil Service appointment continuing. Getting involved in appointment boards emerged as not a very good idea.

Secondly, the chairmanship of successive Secretaries of State of departmental boards does leave a fundamental question. What I found is that the non-executive directors who sit on departmental boards are really of the highest quality, and, having worked with a number of boards in the private sector and the third sector, I found here the level of commitment, the level of devotion and the level of time given to the departmental board is far in excess of what they would give to any other board in the private sector or in a charity, which I found unusual.

I also found that about one third of non-executive directors are not remunerated—either by their choice, or they hand over whatever remuneration they have to a charity. We have one third of this group not being paid for their efforts and trying to do much more than in other



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sectors. Individual non-executive directors were very highly valued, and they worked very hard to try to support the Permanent Secretary and the Department. The issue is the board, it is the body. That body repeatedly emerged as not working well, and the prime reason for that is the chairmanship of the Secretary of State.

Whichever way I look, whether I listen to opinions from chairmen and CEOs of arm's-length agencies, whether I listen to NEDs or whether I listen to contracting agents in terms of outsourcing, the focal point is the Secretary of State, and that relationship with the Permanent Secretary, that chemistry, is really what makes the difference.

Q298 **Chair:** I want to pick up on one thing that you have said. You have ranged very widely, and we are going to pick up aspects of what you have already covered in later questions, but on this question about collective responsibility, looking at the Civil Service through the lens of Brexit at the moment, which is by far the biggest challenge the Civil Service has had for a very long time, how much is indecision or lack of collective responsibility contributing to the sense that Ministers very often express that they cannot get things done and they cannot fathom why things take so long, and that their decisions do not seem to be implemented? Can you relate those two factors?

Professor Kakabadse: Certainly. That did come out in interview, and may I also say that the reluctance of civil servants to critique their Minister in any way also came up in interview? What emerged was an in-depth analysis of a situation from which I concluded there may have been a lack of Cabinet responsibility. With Brexit, one senior civil servant said to me being accused of having some sort of alternative agenda, or not being sufficiently behind the Brexit negotiation push, is an utter insult, and I have to say that is exactly what I have found. Whichever way we looked at Brexit—and I can give you some comment, because I went to other parties completely outside government who have a relevant opinion on Brexit, and their opinion reflected the opinion of the chairmen of arm's-length agencies—it was about the division amongst Ministers, and it was about being asked to pull one way or pull the other. Whether I was talking to the Cabinet Office, Permanent Secretaries or Directors General, what they fundamentally said is, "If you give me a clarity of direction, I will take that down. We will do whatever study you want. We will undertake a feasibility study—we will pursue that. What we cannot pursue is consistent contradiction and changes of direction".

When I went to this other body, completely outside the British Government, who had an opinion on the Brexit negotiations, they said exactly the same. The only two things they told me were, "We really admire the British civil servant. We admire their discipline. We admire their evidence base. We admire their systematic approach to dealing with problems. We just do not understand your Ministers", and their conclusion was that perhaps there is some lack of alignment between the Minister and the civil servant. I did not conclude that. They just looked at



that from the outside. There is actually a lack of alignment at the level of Minister.

Q299 **Chair:** Julian McCrae, IfG has also undertaken research using the same sort of technique. What have you generally uncovered?

Julian McCrae: Picking up on some of the points Andrew has made, obviously the relationship between the Minister and, actually, the top team within a Department—I would not just put the whole emphasis on the relationship with the Permanent Secretary—is obviously incredibly important. Some of the transitions of new Ministers coming in are also really important. There is a flipside to that; the transition of new civil servants coming to existing Ministers is also something to watch.

I may just broaden out slightly some of the top-level judgments of the Institute. I do not think that the relationship at the top of Departments dictates all. I think there are other, systematic issues with the way Whitehall and the top of our Government works that are really important. There are also other relationships between the Department and arm's-length bodies—how they are conducted and how they are run, the ability of the Civil Service to open contracts or run services through contracts with external providers, relationships between central and local government and, increasingly, devolved government in the UK. All of those relationships have a tendency to deteriorate over time and not have enough emphasis on really making them work.

I also think there are very serious issues around capability. The UK, like many Civil Services around the world, takes pride in policy advice to Ministers. It is also common in the last 20 years to realise that policy advice leads to policy implementation, with some of the issues Andrew talked about being as important, if not more important, if you actually want to change something for the benefit of citizens.

There is a third strand that we talk about in our work, which is the day-to-day running of government, the “business as usual”, if you like, which tends to come a poor third to policy creation and policy implementation. But actually if you look at some of our research, for example our “Performance Tracker” publication, which is looking at the performance of public services, a lot of the problems that have arisen are where the day-to-day “business as usual” has deteriorated but there has not been a sufficient response. If you look at prisons, for example, you saw very clear deterioration in what was going on inside prisons, but the actual response was about 18 months to two years too late.

I think there are slightly broader issues, and I would just caveat the term “not fit for purpose”—it is a phrase that conjures up all kinds of things. I think by some of the standards you might apply, no Government in the world is fit for purpose. The UK has a particular constitutional system that throws up very particular tensions, and finding our way through those as best we can—not expecting things to be perfect but recognising the



weaknesses and mitigating them—is probably what a good and effective Government tries to do all the time rather than just when crises arise.

Chair: Thank you. We have had two very long and comprehensive answers; we are going to have move a little bit quicker now.

Q300 **Mrs Cheryl Gillan:** Neither of you have mentioned the relationship of the Secretary of State with the ministerial team and the other people there, which seems to me like a huge gap, because surely a huge measure of how effective a Department is is how the Secretary of State relates to that ministerial team, the effectiveness of that team, the dynamics between them and how work is apportioned. Surely that is a key consideration.

Julian McCrae: It is, and I think there are two aspects to this. The Civil Service will generally look to the Secretary of State for the lead on how to treat the rest of the ministerial team. Some of the worst interactions between Ministers and civil servants come when the Secretary of State is effectively signalling, “Do not include this person in decision-making”, and the civil servants will not have an open discussion around that. That is a big problem.

The best use of ministerial teams, actually, I think is something James Purnell observed from his time in Government. In one of his Departments he set up a ministerial team that was doing small bits around the place. All of the unimportant things were delegated to the junior Ministers, and that created huge quantities of work for the Civil Service on unimportant things. Later he thought that was completely wrong; give your junior Ministers the important things, work with them as a team, and then the Department can actually be prioritised in the right way. That is actually probably the most important thing the ministerial team is doing for the Department—setting out a clear set of priorities and saying, “No, this must be pursued. It must be done”.

Mrs Cheryl Gillan: Professor Kakabadse?

Professor Kakabadse: Very similar to Julian; it depends on the leadership style of the Secretary of State. With certain Secretaries of State we have a team that is pulling together; with other Secretaries of State we have much more of an assertive, one-way approach. The tone that is set by the Secretary of State influences what the civil servants try to do. Certainly the theme came up in interview, but it was not central. Where there was a culture of working together as a team, the civil servants would do all they could to work with the junior Ministers and vice versa. Where there was a culture of the Secretary of State dictating not only what but the way things were going to be done, I cannot use the word “team”.

What I can say is that only certain Secretaries of State like to have a team response, whether it is with their Permanent Secretary and the civil servants or with their junior Ministers. In many ways I would describe them as the most capable, because they would draw on evidence and use



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the skills that were in front of them to be able to pursue systematically what they needed to do for the delivery of a policy. With other Secretaries of State they did not respect teams, to be honest with you; the word “teamwork” did not mean much. It still came back from certain individuals, at least in my inquiry, that everything depended on that dyadic relationship—Secretary of State to Permanent Secretary—and that influenced all. It influenced how DGs responded to junior Ministers. It influenced how DGs responded to the Secretary of State. It influenced the degree of discretion the junior Ministers had.

The point you raise came up in interview, but it was not central.

- Q301 **Ronnie Cowan:** I am fascinated with the fact—it was a real insight to me—that we could have a situation where a Secretary of State does not trust their Ministers to be involved in any sort of policy. It seems a whole dysfunctional organisation; it is like one dysfunctional family struggling to cope with what life is throwing at them. To have that at the head of government is really quite concerning. Is it the case that Ministers, when they are first appointed to the Government, are not being given the right help and support to grow into that role, and therefore if they then make the position of Secretary of State they do not know how to behave as a Secretary of State either? Is the help, support and training that they get when they first become Ministers lacking?

Julian McCrae: The preparation for ministerial roles is something the Institute have done a lot of work on, both practically with people preparing to become Ministers, and via research on what it means. It is just that people are massively underprepared for the role they will have, the amount of work and understanding how the levers work inside Departments.

We have done some work, usually with parties in opposition—with the shadow ministerial teams—and I think actually that is the point at which you want to try to build up the relationships, because once you are in the Department it becomes too late. The way processes work can often create divisions, and people do not spend enough time together, because there is just so much work going on.

The other question, of course, is about our reshuffle situation in the UK. We move ministerial teams very, very rapidly. Junior Ministers probably move more often than Secretaries of State, and Secretaries of State probably move too often as well. It is very difficult to constantly rebuild teams, unless you have a Secretary of State who is personally committed to always running through a team and rebuilding it each time there is a reshuffle.

- Q302 **Ronnie Cowan:** Is that a fairly recent thing, this churn we seem to have? Is that because of instability of government?

Julian McCrae: I think it is partly to do with the length of time parties are in government. You see much higher churn towards the later years of



Labour government, and you also see it increasing since 2010 across this period. I think that is a general tendency; as reshuffles are primarily seen as a tool of prime ministerial power and control, quite often later in Governments you tend to have to use them more as a power control mechanism rather than as a way of producing effective ministerial teams.

Professor Kakabadse: Can I give you the evidence for my next comments? I undertook about 85 interviews and gave feedback to a number of groups. About 120 people were involved, some individuals twice or three times. My database for the private sector and for charities is about 19,500 organisations across 43 countries. There is some comparison. By and large I have seen much greater venom and much greater dysfunctionality in the private sector than I have seen in government. The difference is that Governments, Secretaries of State and Permanent Secretaries are under much greater public scrutiny, so it looks as if they are problematic. Believe you me, if you actually saw what was happening in the private sector, in certain charities or in the UN, for example, you would think that we were not too bad, and we are actually not too bad.

In terms of preparation, the private sector in particular has training and development experiences that would enable a person to become a more effective CEO or a more effective chairman. Those developmental experiences probably assist you about 2%. The real development is on the job, in terms of feedback on the job, in terms of coaching and counselling on the job, and very much in terms of how the dynamics between you and I—Permanent Secretary and Secretary of State in this case—are impacting on how a Department functions and are impacting on how chairmen of arm's-length agencies see us, and even contracting agents". That is what is lacking here. We need on-the-job development.

It is true, as Julian said, that there are a number of transitions. There is a transition of a new Secretary of State going into a Department, or a new Permanent Secretary going into a Department, and those transitions could vary between six to 12 month—or at least that is what I was told. Those were not the significant transitions. The first three months in post, as the civil servant is trying to understand their Minister in order to service their Minister, are the most critical. The missing ingredient is an opportunity to provide on-the-job development so the two parties can really understand how their emergent dynamics are affecting the whole policy delivery process. That is the missing ingredient.

We do not necessarily need politicians who become Secretaries of State to be training in managerialist or leadership-type stuff, but we do need feedback on the job about how their working together is impacting on what they are doing. The parallel is the private sector and the third sector. The most powerful development is how you are doing on this job right now with these people, and that is what is lacking here.

Q303 **Ronnie Cowan:** During the first three months, what sort of challenges



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are the Ministers presenting the civil servants with?

Professor Kakabadse: One could be that the Minister has a view on the landscape in front of them and what they are going to negotiate, and the civil servant may say, "Minister, that is a bit unrealistic. We need to spend a bit more time with these stakeholders to engage with them", so the Secretary of State could view the civil servant as holding them back. On closer investigation, the civil servant's view of the landscape in front of them and how to navigate to that landscape turns out to be the most realistic.

How we get done what the Secretary of State wants to get done and at what pace is the critical issue, and I am sure after three weeks in the role and spending just one day together, with some clever coaching we can get a much closer mindset about what it takes to realise an alignment of view and opinion and engage with different stakeholders much quicker than would naturally happen on the job. But fundamentally the difference is different pace of working and different expectations concerning outcomes.

Julian McCrae: I think there is a constant that goes on inside Whitehall of Ministers and political advisers being impatient and wanting to see momentum. But actually because Whitehall has very many governments, very many veto players, it is very easy to kill things and quite difficult to make things actually happen. If you lose that sense of momentum from the political side, then you will lose the policy agenda; that is very clear. The question is: at what level do you need to inject that pace into the system?

Things that have gone relatively badly wrong have tended to be where Ministers have come in with very detailed implementation plans in their own mind—universal credit is an example, and some of the NHS reforms are an example of that, the Andrew Lansley reforms—and it becomes incredibly difficult then to unpick and redesign that against the realities of what is actually happening. Ministers often become quite frustrated and want to just push on with the plan they came in with.

Where it also goes wrong is when a Minister comes in with something that does not have enough that is concrete about it that the civil servants can grip on to and say, "Okay, you mean you want this to happen in this area at roughly this time? We can deal with that". It is about devising policy before Ministers come into post, because a lot of that is actually not done in Whitehall, it is done in opposition, or it is done around Ministers before they move between jobs. It needs to be done at the right level so that it is specific enough to drive the momentum into the machine, but not become over-specific so that you end up tripping over yourself when you meet the realities that Andrew is talking about on how to actually implement policy. I think is a careful dance that has to be done here, and Andrew is quite right that it would help massively if there was more feedback, and honest feedback, between both sides, stepping out of the detail into how the relationship is going.



We have done quite a lot of development work with Ministers. It is exactly the same, as Andrew says, as in the private sector. It is just about people and how they best work. There just tends to be a sense on the political side—and it is still there—that it is a sign of weakness if you need support, coaching and development inside a job, whereas in most sectors of the economy you have to do this if you are going to take on a top job because you will not be able to cope if you don't.

Professor Kakabadse: Could I just add to Julian's point? When talking with Ministers, many said they would benefit from coaching; many equally said, "My image could be damaged".

Secondly, it is exactly as Julian said: the urgency is critical. We have a tension between urgency and realism. I came across two Secretaries of State who, I can assure you, were in urgent need to have their policy implemented. What was so interesting about them was how they dealt with realism. They wanted evidence from their civil servants, and they wanted that evidence to be very specific. I have to say they were critically demanding of their civil servants and their civil servants loved it, they liked it, as the Secretary of State was really testing their view on what they wanted to do and how they were going to do it. A new reality emerged, and the civil servant and the Minister then talked about and tried to work on, "How do we get this perspective, which, if we made it public too soon or if we were not clever about how we released that information, could damage the Secretary of State's reputation or their image?" Because there was now an understanding by both parties of what it took to navigate through this landscape, a much more subtle and sensitive engagement approach was projected to all the stakeholders who were going to be involved.

What was the difference between those two or three Secretaries of State that I came across and all the others? Those two or three Secretaries of State were evidence-driven—"Whatever my idea is, I want to know, will it work? And prove it to me." That was the interesting thing, "Prove it to me". If there are two phrases, they are, "Prove it to me", or, "Just do it". The majority of Secretaries of State, at the end of the day, were more about, "Just do it". With the ones that stood out and have a consistent record of reasonable success, it was "Prove it to me".

Q304 **David Morris:** Professor, you said previously that you found that it was the first three months or so that were absolutely critical for the new Secretary of State and the Permanent Secretary to fuse their relationship. You have also stated that there is a problem across Government where this relationship has broken down. Are there any areas where you would say there has been a successful example? Obviously I do not want you to name the actual civil servants, but did you come across any positive outcomes where the relationship was very positive and it did not fall within the narrative we are talking about now?

Professor Kakabadse: If you take the two figures given to me—52% to 53% of relationship could break down, or 10% could break down—the



majority of circumstances that I came across were positive. What was the key element of that support? First, for whatever reason, the chemistry between the Permanent Secretary and the Secretary of State was good. What does good mean? These two individuals thought in much the same way. Please do not misinterpret that as agreeing. One was not so details-oriented and the other so big-picture-oriented that they could not communicate; there was some communication, and there was also respect between the two individuals. That was the majority of cases.

What is unfortunate is the minority of cases, and the fluctuation seems to be between 10%, which is a very small amount, to half the Permanent Secretary-Secretary of State relationships. So much depends on the effort of two parties: one is the Permanent Secretary facilitating whatever positive outcome they can with their Secretary of State, and I saw that in abundance; and the second is—I do not know how best to describe it—the political adviser and the changing nature of their role. When my interviews started, the overall outcome was that the relationship between civil servant and political adviser was, let us say, aggressive; now, it is very positive. A number of Permanent Secretaries have said to me, “The political adviser is now my best friend”, “The political adviser is an absolutely vital cog in government”, “The political adviser is the best way to test ideas, and now the political adviser is the bridge between that and the Secretary of State”. So there are a number of improvements taking place.

What still remains is the fear, even in Permanent Secretaries—I use the word “fear” advisedly—of having a black stain on your career record of being referred to the Cabinet Secretary because the Secretary of State feels that a change should take place. I did look at that as well, and the current Cabinet Secretary, as far as I can see, goes out of their way to make the relationship work, they really do, but what struck me is: why? Here we have two mature individuals, a Permanent Secretary and a Secretary of State, trying to make things work. You could do one or two things to improve the relationship, but what if we conclude that the relationship for these two is just simply not working? Two good individuals, two experienced individuals—why do we need to strain the relationship?

One view I have come to is that we need to move people on fairly quickly without having a stain on their careers. When the Cabinet Secretary sits with a Permanent Secretary and a Secretary of State and the conclusion is genuinely, “We would all be better off if a new partnership emerged”, let us do that. I have come to the conclusion that if we had a sort of no-fault divorce it would work; so, why do we not do it?

Q305 Mr David Jones: Just pursuing that question, what would you say are the principal factors to which the relationship between a Permanent Secretary and a Secretary of State is vulnerable? Is it purely a question of chemistry, or did you identify any other issues?



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Professor Kakabadse: Two reasons; the first is, "We actually do not think alike", and that is a major blockage. If we have one party, as I said, that is so details-oriented they cannot see the bigger picture, it is very difficult to communicate.

Those tensions were not the primary tensions. They occurred sometimes, but they were not the primary ones. The primary ones were more emotional. Civil servants came up with a little formula: what is the ideal Secretary of State? For many civil servants, the ideal Secretary of State is someone who has confidence as a person, and they are evidence-driven, they are rational, they are logical, and they can see the bigger picture. What is the non-ideal Secretary of State? It is one person who lacks confidence in themselves and is over-concerned with their context. In other words, they are too concerned about opinions around them, of other people, rather than looking at the bigger picture. They are too involved in the dynamics of the current circumstances. On the one hand that sensitivity gives them a political leverage; on the other hand it may be very difficult to get certain messages through.

If we look at the emotional side of the relationship, what was the major problem? Very often, regrettably, I have to say, the immaturity of the Secretary of State was the major problem. I did not see immaturity with civil servants. I saw civil servants who did not know how to handle the relationship and civil servants who were puzzled by the relationship. I saw civil servants that could not get a message through, but I did not see a level of immaturity.

Regrettably, I also have to say that concern with self was a problem. When I examined what civil servants told me about an individual who may lack confidence in themselves as a person and may be over-concerned with the opinions of people in the immediate environment around them, there was also one other factor that emerged: that individual was less likely to accept responsibility for their own actions and more likely to blame somebody else.

The overall conclusion from my inquiry is that it is not the Civil Service that needs strengthening, it is the Secretary of State, and there is an uncomfortable level of emotionality in this relationship that now needs to be serviced. At a personal level, is there that capacity to handle these complex and demanding relationships? Yes. I am amazed at the level of patience and tolerance and facilitation capacity that the Civil Service displays, but what has not happened is that this relationship has not been brought up to more of a systems level, if you can accept that phraseology, a more organisational level. If that happened we could talk about when a relationship goes wrong, we could provide coaching and counselling when a relationship could potentially go wrong, and we could provide on-the-job and off-the-job development, so that at least we could understand what the emotional sides are to making this relationship work at very senior levels.



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Is this emotionality unusual? Absolutely not. This is the central chemistry factor of chairman-CEO relationships in the private sector, chairman-CEO relationships in the third sector and their equivalents in big bodies like the UN. It was no surprise to find the same degree of emotionality emerging here, and why? There is no guidance for the role. You walk into a Department, and you are Secretary of State; if you do not have an opinion on how you are going to move things forward, we have a real problem. If you are a Permanent Secretary and you walk into a Department, you have to understand exactly the dynamics and the tone and the culture of the Department, and what the relationship is like between the Secretary of State and the junior Ministers. You have to form that conclusion.

What we have here are the two roles, Secretary of State and Permanent Secretary, that are the ultimate roles of discretion. It is up to you, and when it is up to you your emotions, what you are like as a person, what your character is like, show. What emerged was that that was one of the most important components in the policy delivery process.

Julian McCrae: My one observation would be that there is a slight danger of reducing this to a psychodrama between the Secretary of State and the Permanent Secretary. I agree with everything Andrew is saying about how these are human beings and there are ways of supporting human beings in doing difficult jobs and giving them feedback on that, but I think one of the biggest mistakes that was made in the Institute's early research was to go down this path of looking for what a good Secretary of State looks like, and you end up in this evidence-driven sort of reflective state. I think Michael Heseltine is often quoted as one of the favourite Secretaries of State from a civil servant's point of view, but I think that was a mistake in our research. I think the issue is that we have constitutional systems that produce a range of people from a range of backgrounds, taking on fundamentally political roles in the leadership of Government Departments. It is necessary for that system to be able to deal with all those people as individuals and be able to work with them to take the policy direction of that Government forward.

Yes, it would be absolutely wonderful if there were more support to the Secretary of State in the coaching way that Andrew is talking about, but actually the special adviser system, when it works well, puts people in who the Secretary of State really trusts, and if they are doing their job they will form some of the relationships that maybe that Secretary of State finds quite difficult to work into the Department.

There are also many examples of non-executive directors coming in with the experience that sometimes the Civil Service lacks of actually delivering big projects. You can have a much franker conversation with a Secretary of State about what the real problems are, because they are somebody who has actually done it as opposed to someone who has spent their career advising on doing it. There are lots of things that go beyond just the psychological support that we could put into a system—



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indeed, that we actually have—and could develop within our system just to make that relationship work better.

Professor Kakabadse: May I just add one point? I agree with what Julian said, but many NEDs indicated to me that they would like to have that relationship with the Secretary of State and that conversation, but it was not possible. It was not possible sometimes because the Secretary of State did not turn up to be chair, and sometimes because the Secretary of State wanted to go down one direction.

Where you had a Secretary of State who for whatever reason had chairmanship skills and knew how to pull a board together, those conversations definitely did take place, but that was the minority of cases. Where the conversations did take place was in the one or two cases where we had an independent chair, we had a view coming from the board and then the chairman had a distinct conversation with the Secretary of State.

On that emotionality, Julian is quite right; we do not want to turn it into a psychodrama. But there is one thing we cannot escape, and that is responsibility. In any relationship where it is up to you to make the difference, what you are like as a person shows, and all that I identified was that respect for the chemistry, the relationship, between the Permanent Secretary and the Secretary of State was deeply evident from the civil servant. But it was only evident from certain Secretaries of State and not from others, and where the problems arose it was when that respect for the chemistry of that relationship was not forthcoming from the Secretary of State. That is when the psychodrama emerged, not in other circumstances. I have to conclude that you should respect this role and what it is really like to actually make things work, and that turned out to be a fundamental deficiency finding in my study.

Q306 **Chair:** Thank you. We have had evidence from Francis Maude that some officials have been known privately to resist Government policy rather than openly challenge Ministers on that policy. Did you encounter this in your study?

Professor Kakabadse: I certainly encountered people talking about that, and I certainly encountered Secretaries of State talking about that. The conclusion I came to was that I never found one civil servant who would try in any way to unhinge or divert policy covertly, try to push things in one direction or just hold back policy. What I did find were civil servants who at times were just puzzled. "How do I get a message through to this Secretary of State? How can I get a particular way forward when I know the Secretary of State is going to walk into problems and they need not walk into those problems?"

I did find inhibition, and if what Lord Maude is talking about is inhibition then fine; what I found, however, was that there was a misinterpretation of complexity. Where a Secretary of State or any senior politician was criticising the civil servants in conversation with that individual, I



concluded they person did not understand the complexity of what it took to effectively deliver on policy in the circumstances, and what emerged is a misinterpretation of "You are a blocker"; the reality was, "I do not understand complexity".

The number of Secretaries of State who criticised other Secretaries of State for being too simplistic was also very interesting. I have spoken with Lord Maude. I have heard all the comments. I have read all the comments. Let me tell you, there are a number of Secretaries of State who do not agree and do recognise the complexities that are involved and why an intricacy and sensitivity of approach is required. I think it is a misunderstanding of complexity.

Q307 Mr David Jones: But that is a serious problem. If in effect what you have is a state of affairs where a Secretary of State is not capable of understanding messages he is receiving from officials and is misinterpreting them, then there is something fundamentally wrong. What would you suggest should be done to put that right?

Professor Kakabadse: It is fundamentally wrong. It is a problem. From what I see the situation is improving, first because we seem to have a more mature approach from the political advisers of "Let us think it through, let us discuss this. Let us try to understand what the Permanent Secretary's point of view is, and let me give you the Secretary of State's point of view. There is an approach of, "How can I act as a bridge?" I am seeing the political adviser as a very important part of the policy delivery process.

What I see missing is good chairmanship from departmental boards, and where I have seen that chairmanship, either on the few occasions when we have an independent chairman or on the very few occasions when we have a very good Secretary of State who acts as chairman, we really do have a very clear appreciation of complexity. That that is why I was making the point that in fact the Secretary of State should stand back from being chair of those departmental boards and we should have independently appointed individuals. Then we would have a team—"team" is a very loose word, but we would have a group of people—who understand the dynamics of the policy delivery process and can advise the Minister appropriately. In a sense, if we could make the Secretary of State the chair of chairs I think we would have a very different situation.

Julian McCrae: Can I pick up on some of this? I have talked to people on the ministerial side. The "Ministers Reflect" series talks to ex-Ministers, and you do find within that people who believe they were frustrated by the Civil Service. It is reasonably common; not everyone, but a significant minority.

I have also talked to quite a lot of the civil servants who have been on the other side of those things, and I think Andrew is right that generally they will have disagreed with the Minister and felt that they could not get that across and they could not reach a resolution. In those circumstances



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it is almost invariably the case that the civil servant will move on, and that is how the system is actually supposed to work. There is one case that was particularly fractious—obviously, I will not name it—where the civil servant for various reasons could not move on. That affected the Department deeply for a period of 18 months.

What I would say, though, from the evidence that we gather about things that actually go wrong, is that it is far less about a relationship where the Secretary of State does not understand the complexity that the civil servant has grown up with; it is much more likely that it will be about the capability to actually deliver on the policy.

We have touched on universal credit. It is a classic case of the interaction between political drive and the Civil Service. It is signed off. The Permanent Secretary agrees that it is implementable. It then goes into a problem phase where it becomes very clear that it is actually not being implemented. What you get in that Department is a very strong culture of good news being passed up the tree, both to Ministers but actually on the Civil Service side as well, without the checks and balances that you would normally have in a set of organisations. We need the type of thing we started to build with something like the Major Projects Authority; I believe it has changed its name now, but there is a system that gives an outside check from individuals who are not part of the relationship between the Permanent Secretary and the Secretary of State. That is an incredibly helpful thing for puncturing through what will inevitably grow up inside a small closed system like a Department, where there are all these tensions and people's careers rely on each other.

There are things about that relationship, but there are also systematic things we can put in place that can move things forward.

Chair: I am going to start chairing this so that we have much quicker answers.

Professor Kakabadse: Mr Chairman, I believe this is an absolutely crucial point. Can I just take it on from what Julian has said? I do not quite agree. Which part of the Universal Credit relationship should we look at: the part where Iain Duncan Smith may or may not have had tensions with Francis Maude, or the part where George Osborne supposedly said, "My civil servants will not co-operate with you"? Which part?

I did find that the system and the relationship between politicians was intertwined, but it was not so clear. When I looked at that particular case, because that was a case worth looking at, what I found was that civil servants were trying to do the best they could under those circumstances in whichever Department, but the critical point was the relationships between Secretaries of State. Here there were three, and that for me was the most critical part. What do civil servants do under those circumstances? What emerged was that they were trying to do their best and the system was trying to do its best, but there were contradictions at



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that level. Is that unusual? That is exactly what chairmen of arm's-length agencies tell me. How do we deal with those contradictions when the system itself can no longer cope with those contradictions?

Q308 **Chair:** Can I just ask a very short supplementary? How much has the capability of the Secretary of State got to do with the resources at the disposal of the Secretary of State, in terms of the personnel that he or she has appointed around him or her?

Julian McCrae: I think the team that the Secretary of State has around them is really quite critical, because there are variations in the personal capabilities of Secretaries of State.

Q309 **Chair:** EMOs are the answer?

Julian McCrae: EMOs if you are very careful. If you look at Australia and some other countries that have it, such as Canada, what you get is a second-guessing of the Department. You are building your own structure around you; that isolates the Minister from the Department. Virtually everyone I have ever talked to on the ministerial side cherishes the fact that our Ministers sit at the heart of Departments and have a very direct interaction with their officials.

If you can build an EMO of serious people who can help make the relationship of the Minister with the Department work—in particular, some management insight is the thing that is most missing in our SPAD system at the moment—then it can really help. If you pick people with very little experience who are going to create their own little policy worlds around the Secretary of State, it causes chaos, and it alienates the Minister from the Department, which is not good.

Chair: Professor Kakabadse?

Professor Kakabadse: I totally agree with that, and where professional expertise was in a sense lacking was on a particular project where you would have an expert civil servant and that person moved on after three, four or six months and it took another two or three months to get that expert person in. I agree totally with Julian on this point.

Q310 **Dr Rupa Huq:** I think you hinted at this with some of the emotional and psychological stuff you went into, but looking at it from the other side, what do you think makes some civil servants comfortable about challenging Ministers about their decisions and others not? I think some of the things you have a bit touched on, but I think it was Hazel Blears who said on "Newsnight" that northern working-class Labour Ministers get patronised by Jeremy Paxman in a way that someone who is born to rule and been through Oxbridge and public school does not. I do not know if that is part of it, but just what circumstances or factors might—

Julian McCrae: I think all the best conversations happen actually not so much because of personality but where everyone understands their role. What is the role of the Secretary of State? It is to provide political



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direction to the Department to say, "These are the policies that we want to pursue". What is the role of the policy advisers? It is to say, "This is a way to make this happen".

I think Andrew is quite right on this. You get times where either side is not confident. Some of the worst conversations from the Civil Service side are where you have someone who is new in post. The Civil Service turns over its staffing far too rapidly. Part of what I do not quite agree with is that it is all about Secretaries of State; there are various things that matter that the Civil Service has control of. You have new officials coming in talking to a Minister who actually knows more about the subject area than the official does. That is a very, very imbalanced relationship and the wrong way round. People speak confidently when they actually know what they are talking about. That is a basic.

The other problem is when people are worried about their careers. I think on the political side people do not realise quite how much of a black mark a failure with a Minister is for your promotion prospects. It makes people fairly defensive. But I also think the Civil Service has not thought enough, given it has been doing it for about 200 years, about what the best way is to advise different people with different personalities and different ways of learning. It defaults to a highly analytic, paper-based pursuit, which if you do not really think in that way can be deeply alienating. I think it does quite a lot to people who have come from a more discursive background and want to actually talk through things—they can quite often find that very difficult.

Professor Kakabadse: I agree. It is about role and contribution. What is the role of the Secretary of State concerning this policy? What is their contribution? Similarly with the civil servants, what is the role of the political adviser and their contribution here? No surprise, you sometimes get disagreements or different points of view. It is about how those are addressed—that is really the issue. Fundamentally, the relationship between Permanent Secretary and Secretary of State is a relationship of tension. That is normality. We have one way to do it, and here is the realism as to how we do it. How do we negotiate that relationship? How do we reduce that tension to make it workable?

What I found was that Secretaries of State, Permanent Secretaries, civil servants and now SPADs are actually pretty good at handling that, but when it goes wrong we have a real problem. One reason is that, as Julian said, we have kept this relationship and the conversations at the personal level. We have not elevated it to a fundamental part of the system and how it works so that we get that greater insight. That is one point.

The second is: what if you are so keen to have this policy driven this way and the evidence that emerges says something different? We have a timing issue, and how you handle that is the crux of where things go wrong and right. The more the political adviser is involved, the more in



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my view we have independent boards led by an independent chairman, and the Secretary of State will benefit.

Chair: We will come to that.

Dr Rupa Huq: There are further questions, yes, on boards.

Professor Kakabadse: But certainly what I feel is that a lot of what we have discussed here is very manageable, and if we did some of the things we are discussing here the one role that will benefit by far is the Secretary of State.

Q311 **Dr Rupa Huq:** How important do you think it is that Ministers foster a culture where people are able to critically challenge them, and that that is even in perspective?

Julian McCrae: I think the thing that is most important for a Minister is that they need to know themselves. I know some people who can take critical challenge and really love it, and I know other people who are really good but they just cannot take critical challenge—not immediately in a room exposed to various other people. If you are in the latter box, appoint a special adviser who basically you can use as the funnel who will take that critique to you. Gordon Brown and Ed Balls's relationship at the Treasury was actually very effective for that. Critique went via Ed to Gordon, it did not go direct to the Chancellor, but it worked as a system.

Professor Kakabadse: Speaking truth to power is absolutely vital. What I have found is that the relationship has to be sufficiently robust to allow speaking truth to power. Whether we have an intermediary, whether we use a political adviser or whether a Permanent Secretary or Director General has to work six months on this relationship to make it sufficiently robust to say six months later what you could have said six months before, that is up to you. But the fundamental issue is, "I want to tell you something, and my feeling is that you will not hear it because you will not like it. What do I do to help you become that much better so that you will like what I am going to tell you?" Is that Permanent Secretary-Secretary of State? No, it is chairman-CEO. It is fundamentally the very essence of the dyadic relationships at the very top of our organisations. If you go to Russia, you will find the same. If you go to China, you will find the same. If you go to Australia, you will find the same. We do not seem to have developed the maturity to discuss that openly.

Q312 **Mrs Cheryl Gillan:** Just taking up that point, because you two have done a lot of research in this area, before we move on to the next section, what international comparisons have you looked at, and where should we look at to make positive recommendations in this report?

Professor Kakabadse: The only real comparison that has emerged is the criticality of the Permanent Secretary-Secretary of State relationship and its effect on the rest of the organisation.

Mrs Cheryl Gillan: But internationally, is there—



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Professor Kakabadse: Absolutely. I can certainly give you all the references, whether it is my database or somebody else's database. I have been told that I have the biggest database in the world on top executives. I think Jeremy Heywood was attracted to that point when we were discussing whether I should get involved, but fundamentally what I found here is what I have found with something like 19,500 organisations across 43 countries. Keeping aside certain minor cultural differences, it is fundamentally the same finding.

Julian McCrae: I think you are quite right; it is human nature, but if you want to look at different countries and their systems, the UK is probably the country that has the Civil Service embedded most closely with its politicians of the, if you like, Anglo-Saxon nations. I talked a little bit earlier about Australia and Canada, and indeed to some extent New Zealand has quite a different system. It is quite a contractual system between Ministers and civil servants.

If you look to somewhere like the United States, this is far less of an issue, because you replace the entire cadre of top officials, which would create all kinds of problems—simply continuity and things like that. You actually get some really interesting systems in continental Europe. In Germany, for instance, you cannot make civil servants redundant, but at the top layers they are politically aligned. What occurs is that you make a choice midway through your career which party you are going to be with, and then if it turns out you have a 10-year period where your party is not in power you are effectively on gardening leave for 10 years, doing something else but still employed as a civil servant until your old group comes back in. Different countries deal with it in different ways.

We put a lot of psychological pressure on our civil servants, because you have to both be committed to your current Minister and the policies they are pursuing and prepared to switch if a new person walks in the door to pursue completely different policies. Very few countries do that switch quite as aggressively as we do.

Q313 **Mrs Cheryl Gillan:** Is that not a very intellectual capability and what makes some of our civil servants some of the best in the world?

Julian McCrae: It makes them extremely strong at abstract thinking about the complexity of systems. They are very, very good at that. I think it is two things: it is that you have to be an abstract thinker to survive psychologically in that switching between views, but also that normally a lot of the things that we do from our central Government will be done at lower tiers of government in other countries. People will have much more practical experience of implementation in their careers. It is quite possible to become a Permanent Secretary in the UK without ever having seriously run an organisation that delivers practically to the public. In most other countries you will have people with a much more balanced career portfolio.

Q314 **Mrs Cheryl Gillan:** Isn't that a recent trend, though? Historically, if you



go back, senior officials would come up through a Department and make progress and actually would often stay within the same Department so that they had this reservoir of great knowledge about the practical ends?

Julian McCrae: That is definitely true. We have moved people at this very senior level, so it is now quite possible to be a Permanent Secretary without having worked in that policy area, which previously would not have been true. But even 20 or 30 years ago people would have understood Whitehall and the issues that come up to Whitehall, but they would not necessarily have started in an operational wing that was delivering a service to the country, because most Departments simply do not have to do it. They would not have been a police officer.

Chair: We must move on. Andrew?

Professor Kakabadse: I tested just that point of view across some of the Governments I have worked with in the past, and currently, whether this is Australia, New Zealand, Finland or one or two European ones, I had two reactions: one is, "Your civil servants are absolutely amazing in how they show such discipline and such capacity to deal with one Secretary of State after another, one change of Government after another, and are so devoted to public service; and the other is, "Are your people sane? No sane person would ever do that". We have that polarity of view.

What I concluded is that we are unusual, and when I use the term "devoted to the Secretary of State" I mean it. I have not seen that anywhere else; I think it is a tremendous positive, but it has a penalty. It does require from the Secretary of State some sort of response that means, "I can work with you". I have come to the conclusion that what we have is a one-sided love affair. I have heard other people talk about a marriage; I have found no evidence of marriage whatsoever.

Q315 **Mr Marcus Fysh:** Thank you. Can I ask a couple of questions about functional leadership? It strikes me in terms of what you have just been saying that there is a potential for absence of certain basic skills. If one does have a dysfunction of a kind between the Secretary of State and the Permanent Secretary, then some of these functional skills that one would hope are bubbling beneath the surface in the Department would take a prominent role, but Lord Maude stated that functional leadership has stalled as the Departments reassert their autonomy from the centre of government. To what extent do you agree with that, and what do you think of the concept of functional leadership?

Julian McCrae: I think this is absolutely crucial, and I think it is important to be quite specific about what we are talking about. There are certain skills and tasks that need to be done, and done well, in every Government Department; actually, in every large organisation, usually. They are things like, "Do you understand your financial situation?" "Do you understand how your performance is going?" "Is your HR system capable of getting you the people you need into your organisation?" and



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all of those sorts of elements, which are often seen as rather dull, pedestrian things, but they make organisations work.

I usually read a quote at this point, but I am sure the Chair will not give me time. It is essentially saying that we need modern management accountants to analyse what is happening in the relationship between money and delivery and things like that. The quote is from the Fulton report. That was in 1968. It will be half a century old next year. We have recognised the weaknesses in the functional side of government, and they still exist. You can read our research. We have done three or four studies now that have come up with the same sort of thing. We do not have people with the right skills playing the right roles as we are developing and implementing policy.

Francis deserves a lot of credit for creating the functional agenda. He took something that had been a decades-long problem that was recognised and said, "No, we have to actually solve it". I do not agree with his assertion now that it has all run into the ground. We published a stocktake on this in the summer. Our conclusion was that actually, quite importantly when facing Brexit, people have started to see this as part of the solution. We are going to have to implement a whole set of major reforms. They all have to come into place, in the immigration system, the customs system etc. They all have to work first time, we cannot afford them to go wrong, and we are going to need to approach this in a different way.

I think there is quite a lot of energy there; our concern is that it is not enough. This needs to be accelerated. There are various things we have recommended that I am sure we can send to the Committee if you are interested. This is a vital agenda for the Civil Service, it is actually at the heart of what John Manzoni and Jeremy Heywood are doing, and the more encouragement for it the better.

Professor Kakabadse: I totally agree. The principal functions—information technology, human resources, finance—need to be better integrated with the Departments. I can see that what Jeremy Heywood and John Manzoni are doing is trying to push that forward. Both politicians and civil servants said to me Francis Maude was 80% absolutely on the ball, and if it had not been for him functionality would not have come so high up on the agenda. It was more about the way he delivered those messages rather than what he did.

When compared to any other large, complex organisation—and there is nothing as complex as government, but it gives some sort of comparison—we are talking about more of a matrix as to how one person looks at something and another looks at it another way, and how we integrate those two. That in many ways is the next challenge. But is functionality important? Yes.

What is also emerging—and we have not discussed it—is remuneration. I can tell you that a number of civil servants said to me—and one ex-



Permanent Secretary—"I was 49 years old before I could even go into my house; not pay it off, just go into it". We are seeing people moving on faster for career purposes but also to get more pay, and that is why they are moving on a lot quicker. That is going to be a bit more difficult to handle, but nevertheless functionality—a matrix structure, bringing them together—is very much on the agenda.

Q316 Mr Marcus Fysh: And is having a strong strand of functionality within the matrix a critical part, from what you were just saying, of the concept of career advancement within the service rather than having to go elsewhere?

Julian McCrae: I think this is one of the things that we have got wrong in the UK Civil Service over the last 10 or 15 years. We used to have overly managed careers, as was observed earlier, where people would work in their own Department all the way through. It gave them great experience of the Department but potentially quite a narrow experience of actually what it is to be an adviser and be part of government. We have moved now to a system where if you want a salary increase you know you need to move job, and you can do that across Departments, so it is not even as though your own Permanent Secretary could say, "No, you have to stay in this role".

It has been observed to me that all companies have churn in people moving between jobs—it is a classic issue of a large company and how you manage it—but we probably move people a year or two sooner than on average in the private sector, and it really plays out. As we discussed earlier, if you do not have someone who is confident in what they are saying advising a Minister, that is not going to be a relationship that works. How people can be held in post for delivering big projects that the country needs to be in place, and assured that they are not going to miss out on the pay rise or the promotion that their more flighty colleagues may still be pursuing elsewhere in the system, is an absolutely critical issue that the Government just has to take on.

Professor Kakabadse: I agree, and there is one other factor. Some leave and go to the private sector. It is amazing to see how many come back. The values of the civil servants that I came across are really quite astounding: the sense of equity service, public service and impartiality. They go out, gain experience and come back. It does not address the functionality problem, but it does highlight at least the underlying values that are keeping the Civil Service going, and those are quite admirable.

Q317 Mr Marcus Fysh: How should we resolve the tension between the functionality strand, which is cross-Departmental, and the responsibilities for accountability of Departments to Parliament via the Secretary of State? Is that a tension that you see?

Julian McCrae: Yes, all the time.

Q318 Mr Marcus Fysh: How do you deal with it?



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Julian McCrae: I think actually in a sense this is one of those difficult problems that has actually quite an easy solution. In our structure the Secretary of State and the Permanent Secretary are responsible for the delivery of our programmes. It is like a business structure where you have something operating on the other side of the world. You have to let the management run it and make it work. For us, our constitution just says, "Look, they are responsible for doing it".

What I find, though, is that you sometimes get—and the functional agenda addresses—problems recurring across Departments and across time. For instance, bad management of contracts: we have seen it in prisoner tagging, we have seen it in DWP with some of their benefit stuff, and you see it across time. The NAO has a long catalogue of these things. The PAC, because of the way we structure our accountability, is basically playing an extremely expensive game of Whac-A-Mole. It goes wrong, you bash it down there, it comes up again, you bash it down there, and you keep going. We have not had until recently a post in the Civil Service that is responsible for resolving this problem systemically, because it is obviously a systemic problem. John Manzoni, and Gareth Rhys Williams, who reports to him on the commercial side, are responsible for actually making sure Departments have—

Q319 **Chair:** This is all very well, but there is a real problem here. For example, DEFRA has about 20 information systems to sign off before Brexit, but the systems have to be signed off horizontally through the functional leadership. Where is the delay coming from? It is horizontal. Who is accountable for the delay?

Julian McCrae: This is a vital point, because why functional stuff has such a bad reputation in the Civil Service is that you put it into the Cabinet Office—I worked there for about half a decade; it is quite a dysfunctional organisation—

Q320 **Chair:** Okay. What is the answer?

Julian McCrae: It does not hold itself to account. It has terrible service going back. The answer is, if you think about Digital—that is presumably Kevin Cunnington—where is a person who actually we have a full scrutiny system around? If you think about the PAC, there is an audit that says what actually went wrong through the NAO; there is the PAC, which calls in the accounting officer and says, "What went wrong here?" There is no equivalent for the functional side.

When you are getting the observation that Clare Moriarty is finding at DEFRA that she cannot get the sign-off for stuff, who needs to appear and take responsibility for that? Presumably, there should be, first, a body that is saying, "Is this true or not? Let us have something that is equivalent to audit to say, 'Is it really signed off, or is it actually that these projects are too bad and we could not possibly sign them off?'" Then we need a scrutiny body, presumably in Parliament—this Committee or the PAC—that is actually saying, "Right, Kevin John, what is



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happening? What are you doing to sort this out? You are not here as the champion of poor service; you are here to actually make this work”.

I think it just goes back to the fact that we have a governance system that is actually very strong for Departments, but we just have not bothered putting in a proper governance system around the cross-cutting functionality, so it does not work. That is no surprise. It has been the problem for 50 years.

Professor Kakabadse: I agree. That is what I have found. If we take a matrix anywhere else in a large organisation, the verticals are basically the very core of the organisation—here, it would be Departments—and the horizontals are there to support the verticals. Fundamentally, when the head of a vertical says, “I need this for my IT”, the horizontal is there to say, “Let me service you”. That is it. Whether we need a Committee to do that or not, that is the core relationship.

What I was told was that certain Permanent Secretaries may not have, if you like, the ability to stand back and look at the bigger system, and that they only look at their Department. When I examined that, I did not find that. I found quite a few Permanent Secretaries had the capacity to look back at the bigger system.

I have to go back to a Secretary of State. A number of Secretaries of State told me that it is the Secretary of State that will not be interested, and if that Secretary of State only looks at the vertical of their Department and not this, what Julian has described will continue. Believe you me, in a matrix it is very clear who is the boss. It is the person that runs the organisation; it is not the horizontal, it is not the function. That clarity is not in place here.

Q321 **Kelvin Hopkins:** You have already touched on the problem of churn in the Civil Service, and it has been high and a problem on many occasions. Why has it proved so hard to rectify?

Chair: In a word, very quickly.

Julian McCrae: In a very quick word, we do not have control on the career structure. We are not telling people what they need to do to get on with their career. We have allowed them to self-manufacture careers in a marketplace, essentially, which Departments have become, and that creates a large amount of churn. Functions are a solution to this. The career pathways people are developing are useful in that sort of thing.

Q322 **Kelvin Hopkins:** What about allowing people to be promoted and increasing their salaries within their particular job?

Julian McCrae: Absolutely. That would be a standard part of a career pathway: “You need the five-year experience in this type of role, and we will reward you for doing it. You do not have to get another job”. That is exactly what would happen.



Q323 **Kelvin Hopkins:** What are the consequences of this for the implementation of major projects, in which we have seen some problems?

Julian McCrae: it is a disaster. What else can you say? A major project implementation timeline—Andrew will talk to this—is three to five years, and you need continuity. You do not need everybody to be there for the full five years, but you need the continuity, and if you have people who are going to move a year or two into their project that is going to be a disaster.

Professor Kakabadse: It is very simple: most civil servants, once they begin to recognise their worth, particularly when they look outside, do identify how capable they are. Let me compare salaries—I have to go back to the point of remuneration. It is not adequate for the level of capability required for those roles, and when you go to the private sector you see that. I am expecting a greater churn. We create some very good people who are attractive to organisations outside. What is the good point we have? Many of those people come back, but it does not help us deal with exactly what Julian was saying: how do we get the expertise that we need on this programme from start to completion? Until you do all that and until we deal with the remuneration issue—and I see no chance of that happening—we will get the same frustrations.

Q324 **Kelvin Hopkins:** I have been concerned about the lack of proper record keeping that seems to have developed over recent years and the damage to corporate memory, institutional memory, with constant changes of personnel and so on. Isn't that a problem? I will not live that long, but in 30 years' time we have to know that the minutes of meetings are all there, that people understand what it is about and that it has not just been lost.

Julian McCrae: It is a very big problem, and, again, it goes back to incentives. I worked at the Treasury at the time when Edward Troup first came into government as a civil servant. He came from a private sector law firm background where knowledge was everything. It was what you used. I was stunned and appalled at the lack of knowledge management inside the Treasury. But it was very difficult to shift, because actually the priority was on innovation. Knowing what your predecessor had done was not really the most important thing; being able to invent a new policy you could sell to a special adviser was. I just think the lack of knowledge management is much more a symptom of a set of organisations that are focused on thinking up new ideas rather than actually, "How do we run a system as effectively and efficiently as we can?"

Q325 **Mrs Cheryl Gillan:** I would like to move on to the National School of Government now. The National School of Government was closed by Lord Maude in 2012, I understand. Can I ask basically what value you placed on the National School of Government?



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Julian McCrae: I think the National School was one of a number of historic attempts to how we develop our Civil Service and indeed actually government more widely; it did work with Ministers as well. It was quite a mature organisation by those standards. It suffered the fate that all its predecessors had: essentially, it was removed for not quite clear reasons and replaced with something that is essentially a start-up; there are still teething problems, and I am sure you will know about the Leadership Academy as part of the move to restore this function.

Mrs Cheryl Gillan: Yes, we will come on to that in a minute.

Julian McCrae: The fundamental here is that how you develop, train and build your workforce is at the core of any organisation, especially if you are a human capital organisation, as the Civil Service is. It is all about the people. To have a situation where you kill off an organisation and then have to reinvent it a few years later is not unique to leadership and development stuff. It is just a waste of resource. I agree with you, it should probably have not happened; it should have been reformed and brought forward, so that we would not have to kill it off and start again.

Q326 **Mrs Cheryl Gillan:** Professor, what did your interviewees say about the value they placed on the NSG?

Professor Kakabadse: I need to go back in time, because I was very heavily involved with the top management programme and the Civil Service College, and for me the moment you take out a central developmental institute that is really developing not only an ethos, a way of thinking about your work, but also the capabilities that are unique to you, you have a problem. Whether the National School of Government should have stayed or not, what we essentially did was outsource capability development to the lowest common denominator that gives some basic skills as opposed to what the Civil Service needs or what the Secretaries of State need. They need people who think about complexity.

We desperately need an institution that will look at the work that we do, from leadership to operational levels, and provide an integrated service for Government and not leave it to outsiders. You bring in outsiders for little specialist things, but outsourcing your development in an organisation that has such complexity and so many difficult challenges to face is an utter error, I think, and it was an error.

Q327 **Mrs Cheryl Gillan:** It is interesting, because Lord Maude acknowledged the successes of the Singaporean and French colleges and said he was not exactly happy with Civil Service Learning, which effectively came in to replace it. How far would re-establishing the NSG address some of these problems that you have been identifying in the earlier part of this session?

Julian McCrae: I personally think that there are a set of initiatives that are in place now: the Leadership Academy that is being set up and the functional academies that are driving on the specialist skills that are needed, and some work that is developing within the policy profession to



start thinking about how you do it. The correct answer here is actually to put weight behind those and steer those forward. Cutting those off and going, "Okay, we will go back to an old model", would just be another cycle in not having the sustained investment that is needed.

There are things to be learned from the NSG, but equally the current model works and is being driven by people inside the Civil Service. I so totally agree—you cannot outsource this. You have to have your leadership saying, "This is our view of how we are going to do it".

Q328 Mrs Cheryl Gillan: Does IfG do any training of civil servants?

Julian McCrae: We do very, very little training of civil servants, because we consider that a space in which there are loads of people, so there is no point in us being in it as a charity.

Mrs Cheryl Gillan: I was just interested; Professor?

Professor Kakabadse: For me, the essence of what I have seen is the leadership of complexity, and we need people who are behaviourally skilled, consultant-wise-skilled, thinking-skilled and complexity-skilled. We had that at one time. I had an intimate experience with the top management programme all those years ago. It brought together people from the private sector, third sector and civil servants, and you should have seen the relationships that formed the complexity of the meeting that took place. I remember the very first programme in 1986. Do you know, of that cohort some of them still meet every year to this year, and they discussed some of the most intimate and difficult challenges facing a civil servant. We have lost that. If the new institute, the National School of Government, is based on how we handle some of our interesting challenges, I am totally for it.

My only question—and I do not have enough up-to-date information—is that I have heard too much emphasis on behaviours. I am not finding problems with behaviours. I am finding problems with how we work through complexities where we have a misalignment of interests and we have to engage those. You have to think, be emotionally sharp and know then how to navigate. That should be the essence, the very heart, of the school.

Q329 Mrs Cheryl Gillan: Basically, the Civil Service Leadership Academy is the right way to go, but it needs to be plus plus plus, in your view?

Professor Kakabadse: It needs to be plus plus plus.

Julian McCrae: Yes, and actually there is some thinking going on; I will not speak to it, because I am sure others who are intimately involved will, but, as I understand it, some of the stuff that Andrew is talking about is one of the key strands inside the Leadership Academy.

Q330 Mrs Cheryl Gillan: Is there anything else you have learned about the development of the Academy that you would like to leave with us in this



evidence session?

Julian McCrae: I think just the need to make sure that there is a really strong backing and move it forward with the resources that are necessary.

Q331 **Mrs Cheryl Gillan:** “Interfere with it at your peril” is the message to politicians?

Julian McCrae: No: back it, and challenge it, but don’t say, “Let’s start again”.

Professor Kakabadse: And could you also make sure it goes across Departments, as opposed to having one leadership academy here and one leadership academy here? The military has a leadership academy. We need a central body.

Q332 **Chair:** I have two particular questions about this, and then we must end this session. One is: to what extent does the Leadership Academy address all the types of learning that a comprehensive professional development organisation should? It seems to be very strong on experiential learning and mentoring but very poor on experimental learning and reflective learning. What is your opinion about that?

Julian McCrae: I have not seen enough detail to go to quite the heart of it. The things that I think are very important about the design include some of that experiential reflection which is about taking people into the space Andrew was talking about just now, reflecting on how you deal with the complexity and the ambiguity that is inherent in a political system. But from my point of view there is also a lot of stuff about how, if you are in the top leadership, you oversee the specialisms and the functions we were talking about earlier, to make sure they are being used correctly. I think all too often we have had a system where if you can do policy you will be absolutely fine—“Go run the HR system”. No, do not go run the HR system; learn what HR should be providing and pull that into your role. If the Academy can get that right, those will be two big pluses. I am not certain about the exact centre of your question, which was I think experimental—

Chair: And reflective; Professor?

Professor Kakabadse: You need both sides, and I believe there is one telling symptom to see whether this school is going to do its job. You ask one question: how do you identify needs? Where is the mechanism inside the school that goes to these various populations and establishes the need that they have now, stands back, reflects on that and comes up with some way forward? If you have no mechanism for need development and understanding of context, we will have a school that fundamentally delivers courses. Whether they are reflective or experiential, it does not matter. It is there for you to take this course. What you need in a school like this is some sort of mechanism that goes



into depth to understand what is happening now and is dynamic, because things change.

Q333 **Chair:** Isn't this fundamental to the self-governance of the Civil Service? How should the Civil Service be more mindful of itself without an institutional underpinning to think through and promulgate that governance?

Julian McCrae: I think there is a really, really important point in that, because I think a lot of the things we have been talking about come from a lack of reflection and the application of that reflection on how you do things, and the relationships between Permanent Secretaries and Secretaries of State. It is 200 years we have been doing this sort of stuff, but we have not actually thought about, "This is how you consistently do it".

Civil Service top-level governance is interesting. There is something called the Civil Service Board. It is not a board in any kind of meaningful sense; it solely has the pillars, the departmental leads, on it, and it has no functional representation on it formally, despite the fact that the three main objectives the Cabinet Secretary has set it are about diversity, about digital and about commercial, all of which are cross-cutting.

I think it is a very interesting question as to what exactly that top-level governance is. It is not about second-guessing the Civil Service leadership and trying to do their job for them but about how you can create a space where you are helping them to see what the self-reflective moments are as opposed to just accepting that we do it like we did it five or 10 years ago. That is what you will always get if you do not have strong, challenging governance in that organisation.

Professor Kakabadse: Self-reflection can take place. An organisation—I use the word "organisation" loosely—has immediate concerns. People are pressurised here; deeply pressurised. I cannot think of another organisation that has such public exposure than the Government of today. You need somewhere to go to reflect on a much broader basis, and that is what a school of government should do.

Even organisations that have less pressure create some superb learning and development institutions, whether it is an IT company or an oil company, and those organisations, those learning institutions, are deeply treasured. It means something to you that you have gone through their course, you have gone through their coaching, you have gone through their counselling, you have offered something back and you have been a tutor as well as taking something out. We need that here. You cannot rely on reflection in how we do our work. You have to go somewhere else to really change the impact that we make.

Q334 **Mrs Cheryl Gillan:** It was suggested to me that one of the big weaknesses that should be addressed again in a school of this nature was risk assessment and risk management, which seems to be a weakness



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across the Civil Service. Would you agree with that? I can see that you are nodding.

Professor Kakabadse: Julian is going to be far better on this than me, but I am seeing some of that taking place in the two very interesting programmes at Oxford and at Cranfield on the project and programme management side, which does look at risk. But I am an outsider; Julian will have a better view.

Julian McCrae: Risk and how you manage it is absolutely crucial. I have not seen specific plans for the Leadership Academy, but I am certain the people I know who are involved in it recognise the point.

Q335 **Chair:** Thank you both very, very much indeed. We are very grateful for the work that you have both done in this field, and we look forward to the publication of Professor Kakabadse's report in January.

Examination of witnesses

Sir Ian Cheshire and Catherine Brown.

Q336 **Chair:** Welcome to our two witnesses. If you could identify each of yourselves for the record, please, I would be very grateful.

Catherine Brown: I am Catherine Brown. I am a non-executive board member of the Cabinet Office.

Sir Ian Cheshire: I am Ian Cheshire. I am the Government Lead Non-Exec.

Chair: Can I thank you very much for your patience? We have started this second session rather late, and I do understand that we need to be away by 12.30 pm. We will endeavour to accommodate you. We have a lot of questions, but can we go quickly? Do not follow the example of the two academic witnesses we just had—

Sir Ian Cheshire: We are not academic, I am afraid.

Catherine Brown: We are rather more practical.

Chair: We need a shortage of answers lasting 55 minutes.

Could each of you describe, very briefly, what you see as the role of a non-executive director in a Government Department?

Sir Ian Cheshire: Perhaps, Catherine, you will talk to the Cabinet Office experience that you have, and I can share some DWP and more general experience. So maybe you want to go first.

Catherine Brown: Very good, thank you. I have been a non-executive board member of the Cabinet Office for about two years. In my experience the value that the non-execs bring into the Cabinet Office circumstance is around strategic thinking and strategic planning. It is



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about providing advice on how performance can be managed, how the risks of the Department can be managed, and about the major programmes of delivery in the Cabinet Office—going back to your previous speakers, functionalisation is a big responsibility. We have brought advice, challenge and expertise to how to think through and deliver functionalisation across government.

The final point I would make is that we bring considerable insight into how to think through organisational capability, the skills and the experience required to deliver what is an ever increasing and complicated set of deliverables for the Cabinet Office.

Sir Ian Cheshire: I think the key starting point—and it is something I know Professor Kakabadse has touched on—is that this is not a board, and these are not directors in a plc sense. The accountability is very clear to Parliament from the Secretary of State, and you have very clear lines of responsibility on SROs and accounting officers through the Civil Service. We did have a debate when I took over about not calling them directors, because the board does not run the Department and is always intended to be advisory.

I think where the reality of that hits the road is much more outside the formal board meetings, and it relies on some of the factors that the professor has touched on, such as a willingness to engage with that board and to use them across a broad agenda. But I think the real role is advisory, helping the Secretary of State deliver his or her agenda. We are not there as policy advisers, and we should not be. We are very conscious of bringing relevant experience to delivery of the Department. That is done through a series of areas, and typically that advisory role and the lack of an official judicial setting, as it were, for the role means that a lot of that is quite hard to gauge and it is difficult to work out where the impact is happening.

My view is that in good Departments where we are fully embedded as non-exec directors, we are really an advisory group rather than a formal board. I do not attach as much importance to the sort of formality of board governance except, obviously, in areas like the audit committees, which are genuine governance and capability-raisers. I think there you see a much more conventional governance structure than you would, say, with the departmental board.

Q337 **Chair:** What is distinctive about the role of Lead Non-Executive Director?

Sir Ian Cheshire: I would suggest two things, Chair. First, there is, I think, a critical relationship between the Secretary of State and the Perm Sec. I think that is very much a triangular relationship that can be very productive in helping both sides understand each other, and we have heard earlier about the special adviser's role in that. Particularly when access to the Secretary of State's diary is limited, my experience is that the Lead Non-Exec will get the time with the Secretary of State that



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frankly the whole board from a direct point of view probably cannot. That is critical.

The second thing is about making sure that the board and the non-execs' relationship with the Department is actually working well, both obviously in the recruitment of new board members but also in making sure that the agenda on which the non-execs are working is useful for the Department.

Q338 Chair: You have touched on the governance role in the question of audit, which is very much overseen by the National Audit Office and so on. What other aspects of governance is the board interested in?

Sir Ian Cheshire: I will give a general answer, then maybe we will have the Cabinet Office experience again.

Catherine Brown: Yes.

Sir Ian Cheshire: We are quite conscious of not getting involved in any areas of authority that belongs to the Secretary of State or to the Perm Sec. Governance is a slightly topical area. I think we are more interested, and the value add comes, in providing strategic challenge. Catherine, do you want to comment?

Catherine Brown: Perhaps I could give the specific answer of what happens in the Cabinet Office audit and risk committee, which is generally known as COARC. We have an annual timetable of reviews that we undertake. The Department has a strategic risk register. It is the responsibility of the audit committee to review those risks. A piece of work undertaken by a cross-governmental group of non-execs has led to a standard four-box approach to this. We look at internal risks, external risks, strategic risks and project risks, in a very formulaic and structured way.

The next piece of governance we undertake is that we review the annual report and accounts for the Cabinet Office; that is, both the departmental accounts and the Civil Service superannuation scheme and the Royal Mail statutory pension accounts. We then review all the reports produced by the NAO and the Government internal audit agency with respect to the Cabinet Office, we track the actions that are laid out in those reports by the NAO or the internal audit agency, and we monitor over time that those actions are being taken within the Department.

The final area that I would put in governance is that we review reports of any fraud, whistleblowing or data breaches within the Department. It feels rather like the audit committee that you would find in a corporation and making sure that good disciplines of departmental management are being undertaken.

Q339 Chair: In a previous inquiry that our predecessor Committee did into accounting for democracy, we were struck by how variably or not at all management accounting is used by Secretaries of State, Ministers and



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Permanent Secretaries in the day-to-day running of their Departments. What should boards be doing to ensure that there are proper management accounts, that they are meaningful and that they are useful to those who are actually running the Department, and are used as such?

Sir Ian Cheshire: First, I would say that it is absolutely fundamental. You cannot run without correct information, and I know we have discussed—

Q340 **Chair:** But is it not surprising how many do?

Sir Ian Cheshire: Yes, and—this may sound like the Civil Service answer—you should have seen it before, because I was involved for four years as Lead Non-Exec at DWP, and at my first board meeting I was confronted with something I literally could not understand, and I have spent 30 years running reasonable-sized businesses. I have seen a material improvement in the quality of information, and we have the beginnings of that—I would say it is just the beginnings—with the advent of single departmental plans, if we actually can get onto them and prioritise them next year. We can finally bring together the management information, the plans and critically the performance management, which is really where a board of advisory non-execs can help, to frame and challenge the plan and then track the performance of the plan.

But that absolutely requires top-quality information, and I think partly through the functional agenda we are seeing a better quality; not uniformly distributed, but massively improved on what I saw in my first year.

Catherine Brown: If I could add two points to that, one is that the—

Chair: Briefly.

Catherine Brown: Yes. The recent addition of a functionalisation of finance across government, a co-ordination across finance functions, is very beneficial in promoting good standards. The other point is that from the Cabinet Office perspective, one of the organisational capability programmes that is under way is building finance capability and ensuring that there are individuals coming in with the appropriate qualifications, and that there are apprenticeship schemes in place to bring in people who will develop their finance skills, in the way that you would expect in a corporate finance function.

Q341 **Mr David Jones:** What would you say are the defining characteristics of well functioning boards, and to what extent is the involvement of the Secretary of State a factor?

Sir Ian Cheshire: I will take a stab at that. I would put it under probably three headings, if I may. First, it does rely on an engaged Secretary of State. There is no doubt that, as has been touched on before, we do see some variety in terms of performance and engagement, and typically the key factor has been the level of engagement of the Secretary of State,



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which is not specifically about the board so much as their interest in how the Department is run. If you have a Secretary of State very committed to the delivery of their Department, then they would use their boards, and I would cite currently BEIS, MoD and certainly my time with Iain Duncan Smith at DWP as examples of those. It is critical.

Secondly, however, you do need the right slate of non-execs—a good, strong board is definitely an addition—and the third thing, I think, is that to be really useful there has to be clarity about what the agenda is for a Department. That is partly the Secretary of State's responsibility, but it is not just theirs. When you ask the question what good looks like in performance it is very revealing, because if you do not have your priorities clear it is very hard for a board to add value.

One of the things we stress to our new non-execs is that challenging the agenda, and particularly the prioritisation of Departments, particularly now with Brexit, is the starting point. But if you have not had a good prioritisation it is quite hard for a board to engage, because there is not an agenda that you can engage against.

Q342 **Chair:** Ms Brown, do you want to add to that?

Catherine Brown: Not at this point.

Q343 **Mr David Jones:** It has been suggested that non-executives make their most valuable contributions to the work of the Department outside board meetings. How would you respond to that?

Sir Ian Cheshire: I have made that point personally, so I think I might be hard-pressed to disagree with it myself.

I think this is a problem. I have seen some of the UCL's and Professor Kakabadse's work asking "Are the boards useful in adding value?" I think there is a danger of confusing an observed governance tool with an advisory group of people, and I think it comes out in the fact that most of what I have heard back has been that the non-execs are appreciated as advisers and the formal structure of a board is not the main point of the board. I do not have a particular disagreement with that, and most of what I have seen that good non-execs do is find areas to really dig deep. I know Catherine has, for example, done a lot in the Cabinet Office that is nothing to do even with the formal meeting of the audit committee; it is much more outside it.

Catherine Brown: Perhaps I could give you a perspective on the role that I would play. In the development of the single departmental plan what I will do is engage with the team developing that very early on to provide advice on how to think through its structure, how to ensure that all major areas that need to be covered are covered, whether they have thought about ensuring that the money lines up with the plan, and whether they have thought sufficiently about the organisation and its resources, to challenge the work in progress before it gets to a board situation.



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Alongside that, one of the activities that I undertake is that as part of a talent action group of cross-governmental non-executives, we review matters such as the Civil Service Learning Academy's proposed curriculum. We gave input to that. I was also in a group that oversaw the development of the new code of governance that has been introduced for the relationship between arm's-length bodies and their Departments, and alongside that I will assist with the recruitment of Directors General or other non-executives. There is quite a wide range of activities where I think there is a combination of me being able to add value given the professional experience I have, and some need or desire in the Department to bring in an additional perspective.

Q344 Mr David Jones: It has been suggested that boards would be more effective if they were independently chaired rather than chaired by the Secretary of State. What are your views on that?

Sir Ian Cheshire: Again, to put some perspective around it, we have had a long debate on this. In fact Lord Maude, who originated this, had a lengthy debate, and I think there is a trade-off. The apparent gain in professionalisation of the chair, which I think is the argument of Professor Kakabadse and others, is, from my of just being in Departments and those boards, offset by the fact that in our system of government the Secretary of State's attention is what drives the Department. If you remove the Secretary of State from the board, the relevance of that board changes. Frankly, the impact that the non-execs need to have outside board meetings depends on them being at the board with the Secretary of State, and that, I think, is the trade-off.

So far, my personal conviction, and I would say it is the majority of the non-execs' experience, is it is better to have the Secretary of State there chairing the board even if they are not an experienced chairman, as Andrew pointed out, because it engages the Department. Otherwise, I think the risk is that it would become less and less relevant.

Q345 Kelvin Hopkins: There is quite significant variation in the number of times departmental boards are meeting, ranging in 2016-17 from only once in the Treasury to 11 times in the Ministry of Defence. In fact, it is the three major Departments of State that have met least frequently. Based on your conversations with fellow non-executives, what do you draw from these differences?

Sir Ian Cheshire: I think I would say two things. The Cabinet Office is one of those in the lower rating here. First, we have had an unusual period since I was approached to be Lead Non-Exec. We have had two elections, one referendum and quite a lot of churn, frankly, in terms of Secretaries of State and the Cabinet. That has made for long gaps in actually getting going that I think will not be repeated. I do think we are now seeing a very different field post September. I think the previous period was not very helpful.



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Secondly, in terms of the variation, what we have said is that four meetings a year is the target, and one of my roles in addition to being a free headhunter for the Government and looking at the cross-cutting themes is to promote the use of boards by Departments. For example, on the Treasury I am having conversations about the frequency of the board, and we are also coming up with a new rotation for the Lead Non-Exec.

I would say there is a minimum below which it should not fall, and I will personally take responsibility for pushing to make sure that happens, but, again, if a typical non-exec is spending 35 to 40 days a year, the actual board meeting time is really useful as the gatepost for progress but it is not the place where the work is done.

Q346 **Kelvin Hopkins:** It does suggest that in some Departments the board is not being taken quite as seriously as in others. Once a year is hardly frequent.

Sir Ian Cheshire: I think once a year is definitely not frequent.

Q347 **Dr Rupa Huq:** In Kingfisher, Lloyds Bank or any of those private sector places, non-execs have a fiduciary duty to the shareholders. In this role that you now find yourselves in, to whom do you feel accountable?

Sir Ian Cheshire: Do you want to try first on that, Catherine?

Catherine Brown: From my personal perspective I do feel accountable to the Department and to the general public to ensure that I am discharging the role that I have in a way that is of benefit and improves the effectiveness of the Department. I would say my approach to my contribution is very similar to how I would contribute on a corporate board, in terms of the advice or the challenge I would give.

There is clearly a different legal relationship that I am very aware of, which is that the responsibilities lie clearly with Permanent Secretaries and with Ministers. However, I do not think that affects the level of contribution or commitment that I feel that I owe. It is probably in a sense a greater good rather than a fiduciary duty.

Sir Ian Cheshire: There is still some debate about exactly how this works, but the appointments to the departmental boards are made by the Secretary of State, and so arguably the appointment is in some way accountable to that Secretary of State. In my role as Lead Non-Exec I am accountable to the Prime Minister, but also to Parliament, because I publish an annual report, and so without the same level of scrutiny as a Perm Sec I feel I have a public responsibility for the system.

I have found that all the non-execs—wherever we come from, be it private sector, third sector or other government experience—have basically done this because they have a sense of public service and they feel that their accountability is to the broader public to help them give the best government they can.



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Q348 Dr Rupa Huq: As MPs we are also juggling these divided loyalties—is it your party, is it your electorate, is it your conscience? On what kind of issues do you feel it is appropriate for non-execs to challenge Ministers?

Sir Ian Cheshire: Can I give you two? Prioritisation of departmental plans is probably the biggest single area, I think, where non-execs can uniquely contribute, partly because we are not civil servants and in some senses it is easier for us possibly to speak truth to power, because we do not have an axe to grind. Secondly, related to prioritisation is resources for those priorities. Those two are typically issues that we have seen through our professional careers in lots of different places, where there is transferability of skills. What I am super-conscious of is how much more complex government is than commercial life and how many more competing agendas there are, but I think within the context of a Department it is important that we ask people to do five things really well and check that they have the resources to do it, and that is a very valid engagement.

Catherine Brown: I have the same two. I probably have a slightly different perspective on resources, where in my view it is more about capability. It is broader than just having numbers. It is about having experience and expertise, and in the Cabinet Office particularly specialist expertise where a specialist function requires it, as well as policy experience and expertise in the roles that require that. It is much more a concern about the overall capability of the Department as an organisation to deliver than just the numbers of people.

Q349 Dr Rupa Huq: Is that the same with challenging officials?

Sir Ian Cheshire: Absolutely. Just to give you one example, when we started to see the single departmental plans come out that was the first time, and I think they have got materially better on the second go and for next year. The real focus for non-execs is getting next year's single departmental plans to be really good.

There was a tendency we saw in quite a few of the plans for officials to think that the aim of the exercise was to list everything that they were doing, literally, because that meant that if it was in the plan they could not be criticised. We kept on coming back and saying, "No, no, where are the real priorities? Where are the trade-offs? Show me how you have made these trade-offs", and the answer was they had sort of defaulted to a previous model, which was, "As long as I have the money from the Treasury and I have listed everything, that is fine". We have challenged the officials quite strongly through the network and said, "No, if you are going to have a plan, it has to involve priority and trade-off; show us how you have done that". Again, that is particularly in the context of Brexit.

Q350 Dr Rupa Huq: Do you want to say anything, Catherine?

Catherine Brown: This really is a central point. I probably have no more to add at this point.



Q351 **Dr Rupa Huq:** How open to challenge have you found Ministers and the Civil Service?

Sir Ian Cheshire: Talking to the two different bits, I think initially, when Lord Maude introduced this model, the Civil Service was quite hesitant about where it was going to go. I have found the Civil Service very open, actually, once they realise who they are working with. I think the conversations we have had at all levels have been remarkably grown-up, and I have been very impressed with the openness on that front.

What I would say from the Secretary of State's—the politician's—end of it is that it has varied depending on how closed, if you like, the agenda is. I think that is just a fact of life, but I have to say that the majority of the experience has been very positive. People have wanted to accept challenge that they know is in the service of the Department and them succeeding. One of the advantages the non-execs have is that we are not trying to get into the political space or get promoted in the Civil Service. We have an independence of view that I think makes it easier to have some of those challenges. I think it is probably true to say that it is more variable amongst Ministers, because there is possibly less experience of running large organisations, and maybe that is just their background. Is there anything you want to add, Catherine?

Catherine Brown: I think the way we are effective is that that challenge can be very constructive. There is an element of tone and approach that determines how effective the non-executives can be, but in large part I think we take a very constructive, positive approach to the challenge that we give, and we are there to augment the skills and experience within the Department. We say what we think needs to be said, but we do it in a way that we think fits best with the environment in which the message is landing, and I think there is a degree of skill in that, but I think overall with that approach messages are received well and actions taken where needed.

Q352 **Mr David Jones:** You have outlined how you support departmental operations and implementation. Can you tell us how you are able to do this without intruding into the area of policy?

Sir Ian Cheshire: I think we do approach that quite carefully in the sense of saying that we understand what the policy initiative is aiming to achieve, and our focus is on how well you land that and deliver it. There is inevitably some interplay, but I think one of the areas that is touching on the former NSG experience is that experience that shows people how to translate policy into deliverable action is quite important, particularly in the realms of testing and piloting things before they are announced as big-bang policy initiatives. It is about being willing to learn from what the tests tell you and adapt the detail of the policy, because what we have found the area of most difficulty is getting high-level policy initiatives that everyone can agree with translated into detailed action plans. That, in some ways, is not wildly dissimilar to some of the commercial challenges.



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You can have a commercial strategy, then you actually get to the detail of what you are trying to do, and it either works or it does not.

We are very much focused on how you deliver—we are not going to challenge the broad initiative; that is what people are elected for. What we are interested in is, “How can you best make this show up on the ground?” and, “Have you thought about all the practical steps, including things like systems, talent and micro-design?” Micro-design is probably where the policy interaction happens a bit more, because you could design something that does not necessarily work on the ground, and you need to test and try these things.

Q353 Chair: To some extent the strategic departmental plans reflect both policy and implementation; they bring these together. What role should boards have in scrutinising SDPs?

Sir Ian Cheshire: Can I talk generally and then Catherine talk about her experience? I think the SDP is the absolutely crucial way for a board to engage with the Department. I suggest there are three points for that to happen: first, in the formulation, as the plan is developed—and this is not in board meetings, this is outside board meetings, working with the team that are driving the plan to make sure that it plan is challenged early before it shows up fully baked. The second is demanding the right combination of priority and KPIs, with clear management information. The third is some process for performance managing, which is the monthly follow-up once the plan is happening. As you would in a commercial organisation, you would have a KPI performance against your plan. I think it is right to engage early on, then in the finalisation of priorities and then in the performance tracking. In all three areas I think the board has to be doing that and not waiting for the next board meeting. That is something that happens in live time.

Catherine Brown: I would reinforce the point about the value that the non-execs have brought in taking the plan into the subsequent steps of, “Have we got the performance management, the key performance indicators, correct?” and then, “Have we got the mechanisms by which we as a board can measure and ensure that delivery is happening to plan and, to the extent that things are going off plan, spot it early and take action to get back on track?” That is probably a discipline that the non-execs have brought to this process.

Q354 Chair: Looking at the performance management of Permanent Secretaries, to what extent do boards get involved with that?

Sir Ian Cheshire: All the Lead Non-Execs contribute a performance review of the Permanent Secretary’s performance in the year as part of his evaluation on the annual remuneration round, and I do the same for Jeremy Heywood for the Prime Minister. I also then chair the Perm Sec’s remuneration committee so that we evaluate the performance and then decide the adjustments on bonus and pay increases on the back of that.



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All I would say there is that I think that is now established enough that the Perm Sec is very aware of it. There is a two-pager in his annual assessment, and I know Jeremy Heywood has specifically referred to that as one of the more useful reference points that he has for assessing performance. I think we are involved, and it would be, I think, Chair, one of those governance roles at a micro level rather than a big level that the non-execs can play.

Q355 Chair: What is the significance of that in the relationship that the non-executives have with the Permanent Secretary?

Sir Ian Cheshire: I think it does two things. It makes the Perm Sec aware of the potential impact of a non-exec, particularly a Lead Non-Exec. I think it is helpful; alongside the engagement of the Secretary of State, it is one of the ways in which a Lead Non-Exec has visibility and some level of impact.

But secondly, to go back to Catherine's point, that is done in a very open and engaged way, and so it also provides an opportunity to do some coaching, feedback and development for the Perm Sec. It is not just a mark in the scorecard; this is a more positive relationship.

Q356 Ronnie Cowan: What are the current arrangements for appointing non-executive members?

Sir Ian Cheshire: We have basically, I suppose, three points. First, all non-exec posts should be advertised. The Department runs the process, by the way; sorry, I should have started by saying that—each Department runs the posts. There is then also typically, parallel to that, a search and reference, and we use the non-exec network to generate as many names as we can to put into the hopper. It is then shortlisted and interviewed typically by the Perm Sec, the Secretary of State, and normally one other non-exec.

Secondly, for the Lead Non-Execs there is a slightly different process, because that is put through a personal interview with myself and also an approval process that includes No. 10 much more. All of the appointments are processed through No. 10 and also checked with the Centre for Public Appointments.

The third bit is that we have some appointments that are extended because we want them to stay for another two years, and that is done on a slightly different piece of approval. It is either a classic open application—a Lead Non-Exec or an extension technically should cover all that—or it is a fully publicly disclosed process.

Q357 Ronnie Cowan: Anything to add?

Sir Ian Cheshire: How is it for you?

Catherine Brown: My impression is that actually it is a fair and transparent process. My experience of sitting on panels to interview non-



execs for other Government roles has been that there is a good understanding of the attributes required, a good understanding of how to assess individuals and their capability and a very good understanding of where the bar is in terms of who is appointable and who is not, and I think it is a reasonably robust process.

Q358 Ronnie Cowan: Do you feel we are casting the net wide enough, or is it quite a shallow pool?

Catherine Brown: The positions are all advertised. They are advertised on Public Appointments, so they are available to anybody who wishes to apply. In terms of the early sift of CVs that goes on for some of these positions, my sense is that these roles do attract people from a broad range of backgrounds right across the UK. Ultimately, they need to have the relevant experience for the role they are being considered for. In terms of how that translates to a shortlist, it is generally a reasonably good and balanced shortlist in terms of gender but there is probably still work to do to ensure that it is inclusive as it can be taking account of all communities in the UK. It is a work in progress, and that point is acknowledged.

Sir Ian Cheshire: I think originally, part of the way it was positioned when Lord Maude started was that you had to be a FTSE CEO to get in there. That is very much not the case now. We assess each Department's agenda in terms of what it is looking for. Is it digital skills? We are actually still in the process with DEFRA where we want certain specialist skills in food, farming and environment. That creates a different list, and I am very interested in people who have NGO or government experience, because this is not a simple thing of bringing in commercial, private sector people and chucking them at the Department; there is a lot more nuance than that. It is something we are actively looking at the whole time, but it is driven typically by the departmental brief about what they are looking for.

Q359 Ronnie Cowan: Is there any sort of quota for gender, ethnic minorities—

Sir Ian Cheshire: The result last year was that 64% of our appointments were female. We do not at the moment self-declare on BME, which came as a surprise to me. I am going to put that back in. That is probably an area where we can do a bit better, but I think as we sit here today it is 44% female, which is better than the FTSE. I would aim ideally for 50%; 14% BME is the standard appointments target, and we will hopefully have the data next year.

Q360 Ronnie Cowan: Does the Secretary of State have a final say on who gets appointed?

Sir Ian Cheshire: No, actually the final say is with No. 10.

Q361 Ronnie Cowan: Is that correct? Is that the right way to do it?



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Sir Ian Cheshire: There are various ways of doing it. I took it as a sign of encouragement that No. 10 were sufficiently interested in non-execs to want to approve them. I think it has to be somebody that the Secretary of State values and wants to work with; so, in some sense, it is led by the Secretary of State, but with a check to ensure that the balance and other considerations are taken into account.

I personally would always want to be comfortable with the choice of a Lead Non-Exec. I think one of my jobs is to make sure that the quality of people being appointed is kept at the currently very high level.

Q362 **Ronnie Cowan:** If the Secretary of State changes, does that mean everybody moves seats?

Sir Ian Cheshire: It can do; it doesn't always. It depends on the Secretary of State, and also it slightly depends on where the cycle is for the appointment in terms of the various people. We have seen some change, but then in other areas there has been absolutely no change when a Secretary of State has come in.

Q363 **Ronnie Cowan:** Do you know typically how long somebody serves as a non-exec?

Sir Ian Cheshire: I think about four years is the average at the moment. Technically you get appointed for three years, and the expectation I would have is that in a perfect world I would prefer people to do two terms, because they are actually very useful in their second term, but people have different things to do. Last year I was here with Amy Stirling, who was the audit chair. She ended up as CFO of Virgin Group and so was conflicted out, she felt, and had to step down, which was a shame. Subject to those things, in a perfect world I think four to six years is a good term to serve.

Q364 **Chair:** How healthy is it for a new Secretary of State just to have a clear-out of the non-executives, as has happened in one or two cases?

Sir Ian Cheshire: One or two. I think I would answer, again, in two ways. I think it is ultimately a board that has to advise a Secretary of State, and so I think there is a reality unlike in the plc world, where there is an advisory board to help him or her.

Q365 **Chair:** But how happy are you that these are basically political appointments?

Sir Ian Cheshire: The second part of the answer was that I would not want wholesale, 100% change, particularly around audit, which is a very sensitive governance area.

Q366 **Chair:** But to what extent are these now political appointments?

Sir Ian Cheshire: They are appointments led by the Secretary of State. I suppose in that sense they are political. They are advisory appointments. My concern is that part of the balance in the system is



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making sure that they are sufficiently independent and that they add to the departmental delivery rather than being another version of a special adviser.

Q367 **Chair:** What role would you like the Public Appointments Commission to play in advising on these appointments?

Sir Ian Cheshire: So far we have tried to keep the non-exec appointments process slightly lighter-touch than the full-blown process—I think that has worked relatively well to date. I would keep an open mind on that. At the moment I do not feel that we need any reinforcement on that side, but we do work very closely with them.

Q368 **Ronnie Cowan:** Can I come back on this? Going back to the point Professor Kakabadse made earlier on when he said the good Secretaries of State were saying, “Prove it to me”, rather than, “Just do it”, if they are political appointments, is there not a temptation that you are going to “just do it”?

Sir Ian Cheshire: No, I think what we have found is that this has worked well in the sense that people have sought to make basically non-political appointments. There are always going to be some round the edges where you could say, “Is that closer to being a SPAD than a non-exec director?” I think we have stressed to people that the value add in this is in the delivery of the Department. If people want further policy reinforcement, getting in non-execs is not what it is about. I think we have had sufficient support both from Number 10 and elsewhere to make sure that the appointments are sufficiently independent. I would say that they are advisory appointments but they are not full-blown political appointments.

Catherine Brown: If I can add one comment, possibly from the perspective of the majority of the non-execs, we would consider ourselves to be ruthlessly impartial, and in terms of the approach we take it is very much that we are there to provide advice, challenge in an impartial way and augment the skills and expertise that are available otherwise in the Department. I think on that basis most of us would be quite surprised if we were considered to be in any way political.

Q369 **Chair:** I am asking a question out of ignorance here. Is there a code of conduct for non-executives?

Sir Ian Cheshire: There is a code of conduct for boards.

Catherine Brown: Yes, there is, and we have read it.

Sir Ian Cheshire: It is written for boards, yes.

Chair: Perhaps you could write to us on that question.

Sir Ian Cheshire: Yes.

Catherine Brown: Yes.



Q370 **Chair:** You mentioned impartiality; what standards are expected of non-executives? On cross-departmental initiatives that are particularly relevant to the Cabinet Office, what role do boards or non-executives play in scrutinising initiatives like functional leadership, which is cross-departmental?

Sir Ian Cheshire: It is at two levels, I think, Chair. One is that we have had the non-execs working as a network on the cross-cutting themes that they have seen. That has led to work on risk management, which was mentioned before, as well as arm's-length body relationships and continuing topics such as talent in particular. There is, I think, a general understanding of where those themes cut across a number of Departments, where the non-execs can come together as a network and contribute either with detailed work, as was the case with the risk management, or in more regular contact, which is what the talent work has done.

Q371 **Chair:** Except that your Secretary of State would have to want you to do that for that to happen—or would that happen spontaneously?

Sir Ian Cheshire: I think we have got on and done that and then had it subsequently blessed, and in the annual report I have made it clear which cross-cutting themes we are working on.

The second level is probably more interesting, which is where I think you may be going with this. Some of these projects, like functional leadership, are increasingly getting into particular interdepartmental spaces. I would include in that interdepartmental projects like the borders project for Brexit, where there is a real appetite from the non-execs in the different Departments to get together to make sure that the cross-departmental line is being picked up. I have to say the Perm Secs have been very supportive of that. I think we do see that as part of our remit, and certainly one of my encouragements to all the Lead Non-Execs is to say, "If we are seeing departmental issues that do not make sense, please, we should be able to escalate those".

Chair: We are just straying very slightly into your time—forgive us.

Q372 **Kelvin Hopkins:** What is your view of the people challenges that the Civil Service faces, such as churn, which we talked about in the earlier session, and the use or indeed lack of use made of specialist expertise?

Sir Ian Cheshire: First of all, I know this goes into effectiveness. In my five-plus years of being involved in the Civil Service I have been seriously impressed; the quality, particularly at some of the senior levels, has been outstanding, and the ethic of the Civil Service too.

I think the two challenges we see are, first, remuneration, which I think is an ongoing problem. People have to get moved to get more income, which seems to me, from the unconstrained private sector—I accept it is not the same—a real problem. Secondly, I think there has been a generalist, policy-led view of how you progress as opposed to some of



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the technical skills and the functional skills being valued. I have seen that move quite a long way in the last two or three years, with people starting to come to see commercial or finance as a career route. I think building those skills is going to be absolutely fundamental, because I think that we have had a bit of an imbalance. There have not been enough delivery skills and enough technical skills, but I think the direction of travel now is better; the question is just, is it going fast enough?

Catherine Brown: From the perspective of the Cabinet Office, with respect to specialisation, within the Cabinet Office sits Government Digital, Government Property and Civil Service HR, and I have seen over the last couple of years considerable effort to bring in real specialist expertise to ensure that these functions are led and have the appropriate level of skills within them. I think that is a great step forward.

In terms of the issue of churn, it is challenging in any organisation to have a quite significant proportion of your people learning a new job, and one of the tasks going into 2018 to create additional capacity in the entire system is to look at the levels of churn and how maybe that can be slowed, just to create more capacity in the system but with the same numbers of people and the same levels of expertise. That, again, is somewhere where the non-execs can bring that kind of challenge into the single departmental plans.

Q373 **Kelvin Hopkins:** Just one suggestion about addressing churn: should there be a commitment for a minimum length of time in post for certain senior civil servant positions, and how long for?

Sir Ian Cheshire: That always sounds like a good principle, but it is quite hard to work in practice. I think again the approach is to be endorsed, because I think the depth of experience is there; on the other hand we have seen good career management, which means you may end up doing two years in one place and two years in the other.

I think I would err on the side of domain expertise as being particularly valuable. I would prefer to see people slightly more long in term than they are at the moment.

Q374 **Chair:** Thank you very, very much indeed. Sir Ian, your predecessor came in front of this Committee and gave non-executives four out of 10; this is your chance to give yourself a score.

Sir Ian Cheshire: It would not be scoring myself; I score my colleagues, which is probably even worse, actually. I think at the moment this may be upping Lord Browne's estimate—I would say the straight answer would be about a seven at the moment, because I think it would provide a lot of continuity. What I would highlight is that I think some individual boards are batting above that; I would like to recognise them for that.

Chair: Thank you very, very much, and would you please take my thanks and the thanks of this Committee on behalf of Parliament to all the non-executive directors for the work that you do, which is in the vast majority



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of cases way above and beyond the call of duty. It is a great public service, and we are aware how much it contributes to the effectiveness of Departments and the support for Ministers. We are very, very grateful indeed. If you could pass that on—

Sir Ian Cheshire: I will certainly make sure we do.

Chair: Accept that thanks for yourself as well. Thank you very much, both of you.

Sir Ian Cheshire: Good luck with the inquiry.