

Written evidence from Professor Patrick Diamond (Queen Mary University of London), Dr Jack Newman, Professor Dave Richards, and Professor Andy Westwood (University of Manchester)¹ (CLR06)

**Public Administration and Constitutional Affairs Committee
Civil Service Leadership and Reform inquiry**

This evidence submission comes from research conducted on the project '[The UK Productivity-Governance Puzzle](#)'. The project asks whether the UK's governing institutions are fit for purpose in the 21st Century, specifically in terms of their capacity to tackle the UK's productivity puzzle. The project sits within The Productivity Institute's 'Institutions and Governance' theme. The Productivity Institute is funded by the Economic and Social Research Council.

In this written memorandum, we consider four questions from the call for evidence, the first relating to the theme of 'civil service leadership', the others relating to 'policymaking';

- The extent to which the Civil Service has an obligation to enhance its capability and, if so, whether that can be exercised unless such an obligation also applies to governments. Should any such stewardship obligation be formalised?
- Is the current system of Ministerial Directions effective and sufficient?
- Is the respective accountability of Ministers and Officials for policy formulation and delivery sufficiently clear and, if not, how might it be made more so?
- In all of these areas, are there lessons from other countries that the UK can usefully adopt?

Our overall argument is that there is a cultural issue in the UK civil service given the assumptions that are often made about the capabilities of local and devolved tiers of government. In short, local government is invariably not trusted as a competent actor. The problem is founded both on the structures of accountability that flow through the civil service which reinforce centralisation, and on the failure of central government more broadly to accept responsibility for the development of local and devolved policymaking capacities. The latter problem is part of a wider failing to acknowledge the importance of

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'institution-building' in the civil service, especially as part of spatial policymaking and England's devolution journey.

The extent to which the Civil Service has an obligation to enhance its capability and, if so, whether that can be exercised unless such an obligation also applies to governments. Should any such stewardship obligation be formalised?

All governments should have an obligation to enhance the capability of the civil service. As it is the machinery through which policy is made and implemented, a more capable civil service should lead to better public policy outcomes. Both for the government of the day and for the future advancement of the country, the development and improvement of civil service capabilities are an obvious public good in which government has a moral duty to invest.

This is of most importance in relation to the country's long-term challenges, especially the productivity slowdown that is the focus for our own research. To improve productivity and UK economic performance, the government needs to develop a forward-thinking industrial strategy which takes a long-term perspective while also being adaptable to changing circumstances. This approach requires civil service capabilities in long-term planning within a stable institutional environment, while simultaneously requiring adaptability given the ongoing flux in the economy, society, and environment.

The challenging questions in this area relate to the specific nature of the Government's obligation to the civil service, which primarily depends on the approach needed to build the right capabilities.

Above all, the civil service needs the right skills and knowledge *in the right place*. To improve productivity, the UK needs to develop and implement place-based strategies around skills, infrastructure, transport, and R&D. The expertise and capabilities of the civil service will be crucial but place-based strategies that link together these four economic drivers cannot be developed from Whitehall alone. They need to be developed in the places in which they will be implemented.

Attempts to decentralise the civil service have so far involved a scatter-gun approach of moving some of the departments and agencies of central government around the country, primarily by relocating more junior civil servants. This has been shown to have positive effects for the areas in which the new offices are located, and it can help to counter the London-centric civil service culture. But such an approach fundamentally fails to link together national and local policymaking. For too long the focus in the civil service has been predominately on the core activities of supporting ministers and making policy which were traditionally seen as high status and high reward. The civil service is relatively effective at the small 'p' political role of enabling ministers to negotiate the policymaking arenas of

Whitehall and Westminster. Officials are there to support ministers and loyalty to the minister is a key principle for civil servants.

However, as has previously been acknowledged, the result is that officials are much less effective at implementing and delivering policy, particularly that focused on place and locality. The existing Whitehall culture puts much less emphasis on developing the knowledge and know how to turn policy into practice, especially policy that has a spatial dimension. This is a key contributor to the weakness of the UK's multi-level policymaking capacities. To make and implement policy, there needs to be well-developed institutions at multiple spatial scales. And to ensure coherence, the institutions at these different scales need to work together effectively.

The inability to focus on delivery and place is the result of a number of factors, notably lack of skills in the civil service, the wrong incentive structures, and unrealistic expectations by ministers. There is still a tendency to treat policy formulation as a linear process of transmission from central government to local agencies and actors. Yet scores of ministers over recent decades have voiced their frustration at pulling what they regard as "rubber levers" that turn out not to be connected to anything, compounded by the fact that their control over institutions beyond the central state is increasingly circumscribed. There is too little awareness in the Whitehall civil service of the challenges of contemporary governance in the English and UK state.

What is instead needed is a civil service that is able to drive forward and cultivate more agile place-based policymaking. This approach has two main elements.

Firstly, it involves localisation of the civil service within England. Following the example of Scotland, the civil service should establish cross-departmental, place-based teams to work alongside England's metro mayors and county leaders. These teams should be off-shoots of the existing civil service, building on existing expertise and ways of working, and they should be seeds that grow into their own localised civil services. These teams should be funded centrally and continue to sit within the broader institutional structures of the UK civil service but should be responsive to metro-mayors in the same way other civil servants are responsive to ministers.

Secondly, the central civil service should be reoriented towards spatial and territorial governance, so that civil servants, and especially more senior officials, develop a clearer understanding and respect for the UK's evolving devolved institutions across all four nations, including devolution in England. Yet understanding of the issues alone is not enough. Place-based policy strategies need to be built into the structures of government departments. In so doing, when they make policy or reform public services, it is with an explicit awareness of the different implications this will have for different parts of the country. In the wake of devolution, the focus will be predominantly on England.

One example of the reorientation towards spatial governance is the need for a more consistent approach to territorial subdivisions, so there is stronger alignment of the maps used by different departments and agencies. Across all its functions, the civil service should seek, and where possible align its policy and service geographies with those of metro-mayors and the devolved nations.

Over time, the civil service could be absorbed within a single, unified public service that can take a strategic approach to public service delivery and the pursuit of social and economic reform. This approach would seek to ensure greater integration and “joining-up” between central and local government. By moving towards a place-orientated civil service, the UK will be much better positioned to meet long term challenges and will be especially well placed to deliver the spatial policies required to tackle the long-term productivity slowdown that has afflicted the UK over the last decade.

Finally, there is the question of government’s obligation. The government has a duty to develop the capabilities of the civil service, and not just in ways that will enable the delivery of its own policy agenda. It has an obligation to build a civil service that is capable of delivering the policy agendas of political leaders across the UK’s nations and regions. The government’s duty to maximise the long-term policymaking and service-delivery capacity of the civil service will entail centrally driven investment, alongside a recognition of the autonomy of lower tiers of government in deciding how that investment should be spent to improve local capacity.

Is the current system of Ministerial Directions effective and sufficient? AND Is the respective accountability of Ministers and Officials for policy formulation and delivery sufficiently clear and, if not, how might it be made more so?

There is a growing body of literature calling for the decentralisation of governance in the UK, especially in an attempt to tackle spatial inequality and revitalise left-behind places through place-based economic development. These calls have been a driving force behind the current government’s levelling up agenda and the Labour Party’s Brown Commission. However, the big challenge in delivering more decentralised policymaking is the question of *accountability*. In each of the devolution deals agreed in England, and in many of the debates surrounding the transfer of powers to the devolved nations, there have been concerns in Whitehall that ministers and senior civil servants will still ultimately be responsible for how devolved powers are used.

The system of ministerial direction rests upon a theory of accountability in which civil servants are accountable to ministers, who are accountable to parliament, which is accountable to the electorate through general elections. Yet the historic dominance of this accountability model is one of the key bulwarks against decentralised policymaking in the UK. The much emphasised importance of ministerial responsibility stands in tension with the widespread and varied subnational institutions that do exist across the country, each

with their own elected representatives who are held to account through their own elections.

Clearly, for an effective accountability chain flowing through the civil service to ministers, it is important for there to be clarity about who is responsible for what. This works better when whole policy areas are devolved, as with health in Wales or education in Scotland, rather than where responsibility is split, as with the Metropolitan Police, the Mayor of London, and the Home Office. The division of responsibility also works best where policy areas are devolved in all parts of the UK, as with the responsibilities of local governments for refuse and leisure centres, in contrast to the responsibilities of combined authorities for adult education.

Underpinning the UK's tradition of individual ministerial accountability are two buttresses.

The first is cultural. There is a culture in British politics, the media, the wider commentariat, and to some extent among the public, of holding a secretary of state to account for failings in their policy area. This of course has benefits for ensuring a strong sense of accountability in policymaking and government, but it also means that it becomes difficult to transfer responsibility to other bodies, such as combined authorities. One solution is to treat combined authorities much more like departments, so that ministerial responsibility can become mayoral responsibility.

The second buttress of ministerial accountability is public spending. Accountability chains tend to follow the flow of money, so that those who spend the money are responsible for the outcomes. However, in the UK, this has manifested itself in a political system dominated by the Treasury, because public spending is ultimately considered to be Treasury spending, even when it is transferred to other departments or other tiers of government. This Treasury dominance acts a centralising force within the UK's polity, increasing and entrenching hierarchies and silos among politicians and civil servants.

In aid of a more decentralised mode of governance, and to ensure that accountability functions effectively, it is important to ensure that a wider range of actors are held responsible for outcomes. The delegation of decisions and the delegation of funding should, at least to an extent, be accompanied by the delegation of responsibility. Clearly, ministers will always hold a higher degree of responsibility, but currently ministerial responsibility drives the concentration of power.

In all of these areas, are there lessons from other countries that the UK can usefully adopt?

New Zealand offers a very useful comparative case-study for the UK. Its civil service, known as the 'public service', operates within a Westminster-style system that bears many similarities to the UK's model. It also underwent similar reforms in the 1980s and 1990s in the direction of the 'New Public Management' (NPM).

In many ways, New Zealand went further and faster than the UK towards a marketized system of agencies, managerialism, incentives, autonomy, and metric-driven evaluation, as laid out in the State Sector Act 1988. This approach included arrangements such as ministers 'purchasing' services from departments, which were (and still are) led by more autonomous Chief Executives, leading to a marked divide between policymaking and service delivery. The advantages of the New Zealand system are that senior officials are publicly accountable for performance, apparently resolving the underlying tension in many "Westminster-based" democracies about whether ministers or civil servants are responsible for operational decisions and delivery. The process is overseen by an independent State Services Commission which appoints, monitors, and assesses departmental heads on behalf of the elected government of the day.

There are, however, a series of ambiguities that have emerged in the UK context. For example, such a model might well entrench the artificial distinction between "policy-making" and "implementation". The policy development process and policy implementation process cannot be neatly separated. There is a constant "feedback loop" between setting overarching objectives, selecting specific policy instruments, and implementing policy on the ground. There is little evidence that the New Zealand model has fundamentally resolved this ambiguity. In seeking to clarify ministerial and civil service accountability there is a risk that policymaking and implementation will be prised even further apart. As such, this approach has led to many of the problems observed in the UK, with significant churn and fragmentation of policymaking, and with specific problems relating to performance pay and box ticking in the civil service.

The Public Services Act 2020 sought to take New Zealand's civil service in a new direction. Its starting point was to critique the legacy of the NPM reforms, emphasising the consequences of siloed government, and an inability to meet emerging challenges that cut across traditional policy sectors, such as climate change and mental health. For example, the Act included the creation of 'interdepartmental executive boards' sitting across two or more departments, bringing together departmental leaders on cross-cutting issues.

The reforms of the Public Services Act 2020 have provided the foundation for some of the recommendations that have recently emerged from New Zealand's 'Future of Local Government Review'. The Review proposes a new government department focused on central-local relations, which can then use the interdepartmental mechanisms of the 2020 Act to enable better place-based policymaking. A key function of this proposed new department would be, "supporting agencies to join up on regional priorities and issues so there can be a single and consistent central government presence when working at place with councils". Such reforms seek to address many of the problems familiar in the UK, which we outline above.

While these reforms are at an early stage in New Zealand, they imply a new direction of travel towards a more joined-up and place-based civil service. The two values go hand-in-

hand, because where the civil service is more focused on particular places, officials are pushed to think across multiple policy areas, and where more joined-up thinking is possible, place-based policymaking becomes more effective. This places further emphasis on the need to establish more spatial and territorial thinking within the UK civil service.

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