GOVERNMENT DEPARTMENTS

This report has been prepared with the participation of Bob Ayling, Roger Dawe, Sir Christopher Foster, Lord Haskins, Kate Jenkins, Dame Mavis McDonald, Paul McQuail, Sir Nicholas Monck, Sir Robin Mountfield, Sir David Omand, Peter Owen, Nick Raynsford MP and Dame Sue Street.

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EXECUTIVE SUMMARY

The Capability Reviews of Departments have highlighted serious deficiencies in performance. Effective Departments, focusing on different policy areas, are essential to enable the complex business of modern government to be carried out. The expertise Departments develop in dealing with their specialist responsibilities needs to be actively fostered and put to good use. Structures of government based on detailed central control would be costly, disruptive to implement and ultimately less effective.

Modern governments take the view that public services need not be provided directly by Departments: other service delivers are commonly used. In order to ease the burden on Ministers and make full use of private-sector expertise, Departments' work should be restricted to the core tasks they are best able to perform:

- *constructive and expert advice to Ministers on policy analysis and development, legislation etc.*
- *operational functions for which the government needs to retain direct responsibility*
- *supervision of delivery of services by non-government agents (and operationally independent agencies within government).*

Other functions should be outsourced where this can be done cost-effectively.

A wide range of options for outsourcing service delivery is now available. Management of such arrangements requires new skills and a structured relationship between Departments and service deliverers. Service deliverers need a clear and stable remit, a manageable pattern of accountability and freedom from interference by Departments in day-to-day operations. Local government plays an important part in both service delivery and policy development; it is discussed in a separate report.

Departments with a policy development function should be centres of excellence in their field, with strong links to academics and practitioners outside government and to overseas experts. Because of their closeness to their subject, Departments are best placed to initiate, and arrange the necessary consultations on, policy developments in their specialist areas; the role of the Centre should be to act as a stimulus and challenge to Departments.

Departments with a service delivery role should undertake regular formal reviews of their service areas. The Centre, by virtue of the breadth of its experience, particularly in areas such as target setting, has an important part to play in helping Departments to plan and supervise service delivery by non-government agents; but full advantage should be taken of departmental expertise.

The quality of Departments' work depends on their "human capital", built up over a long period through appropriate recruitment, career management and training practices. The Centre has an important input to make in all of these areas. It needs to strengthen its capacity for active involvement in career management for the Higher Civil Service and its feeder grades, with buy-in from Departments, and should take a lead role in training, especially in service delivery skills. Training for Ministers, particularly in management matters, is desirable.

Striking an appropriate balance between central guidance and support at a strategic level and the maximum possible devolution of authority to Departments should be a key concern of government. Departments will greatly benefit if the Centre improves the coherence of its own organisation and operations.

BACKGROUND

The need for action

The recent report of the Public Administration Select Committee "Skills for Government" commented:

> "The Capability Reviews paint a bleak picture of Civil Service performance. They suggest a lack of leadership and serious deficiencies in service delivery."

How far this arises from central interference, from a Civil Service culture that has traditionally placed far too high a premium on policy skills and too little on delivery, or from

a simple failure by Departments to keep up with developments in the outside world is a matter for debate. What is clear is that action is needed.

Purpose and structure of Departments

Departments are set up to enable the business of government to be carried out more effectively through their specialisation in different subject areas. The function of a ministerial[1] government Department is to enable the Minister of the Crown (usually entitled "Secretary of State") who heads it to develop and implement government policies in his area of responsibility. They have no independent existence separate from that role and "departmental policies" are by definition the policies of their Minister. Ministers themselves are not, of course, completely free agents since they have a collective responsibility for government and their appointment – and in some cases dismissal – depends on the Prime Minister.

In carrying out their function, Departments engage in a number of activities:

- offering reasoned and informed advice, including proposals for policy development and implementation, to their Ministers;
- accounting to Parliament for voted funds;
- delivering public services, either directly or through agents;
- maintaining continuity in the conduct of government business as Ministers, and governing parties, change;
- maintaining links with other Departments, agencies, Non-Departmental Public Bodies and local authorities dealing with related areas of policy;
- providing a point of contact for external "stakeholders" in their policy area;
- in appropriate cases, acting as a lead Department with other Departments and public bodies in joining up cross-departmental activities through the mechanisms of Public Service and Delivery Agreements which government has decided should be so co-ordinated.

Departments normally comprise a group of core elements handling related but distinct policy areas (e.g. housing, local government finance, land use planning). They also deal with policies that arise from interactions between these core elements (e.g. urban development).

The boundaries of Departments may sometimes be influenced by political and presentational considerations. The decision on where to set them ultimately depends, however, on a judgement (which may change in the light of developments over time) about which core policy elements are sufficiently closely related to make it appropriate for responsibility to be placed in the hands of a single Secretary of State, supported by a team of more junior Ministers. Boundaries are normally drawn widely, so that issues can be resolved within the Department without the need for frequent references to the Centre. Nevertheless, Ministers and officials must be constantly alert to the need to involve colleagues in other Departments on cross-cutting issues that spread beyond their boundaries or on decisions that might reflect on the government as a whole.

Changes in the responsibilities of Departments can at present be implemented without reference to Parliament since legal powers are vested in "the Secretary of State", not the head of a specific Department. But the disruption and extra cost significant changes cause should not be underestimated.

[1] There are some non-ministerial Departments charged with undertaking specific operational tasks.

Modern governments have increasingly taken the view that their role in the provision of public services is to ensure that such services are made available by whatever means secures the most effective and economical outcomes. Direct provision of services by Departments has consequently diminished. There has been a move towards devolution of service delivery, through contracts with the private sector, Non-Departmental Public Bodies and special-purpose agencies with considerable operational independence, in areas as diverse as the management of the historic royal palaces and the supervision of financial services[2]. There has also been a move to linking some activities across Departments, usually placing one Department in the lead.

Whether or not services are directly provided by his Department, the relevant Secretary of State remains ultimately responsible for the outcomes achieved. That responsibility may be discharged through a variety of instruments ranging from direct instruction (where the service is provided by the Department's staff), through control of resource provision to non-departmental bodies, to formal powers of Ministerial direction where agents appointed to deliver services have failed to discharge their responsibilities. Even where service provision is wholly devolved, therefore, the Department needs to retain sufficient expertise to be able to advise and assist the Secretary of State in the use of these instruments.

Departments work in close co-operation with the Centre of government, in particular the Treasury and the Cabinet Office. Various elements of the Centre play a key part in:

- allocating resources;
- providing a source of expertise in specialist operational skills;
- shaping the overall development of the Civil Service;
- maintaining a coherent overall framework for "joined-up government".

THE ROLE OF DEPARTMENTS

Are Departments really necessary?

The question has sometimes been put, particularly in the light of recent notorious failures in service delivery, whether government Departments have outlived their usefulness and should be replaced by a radically different arrangement - perhaps a tiered structure of delivery contracts managed from the Centre. A less extreme view is that Departments should continue to exist but under continuous direction from the Centre.

Over the past decade there has been a marked increase in the involvement of the Centre in Departments' work, particularly in delivery of public services. In many (though not all) areas in which the Centre has been closely involved, performance has improved. But casting the spotlight on one aspect of a Department's work, and thereby signalling that it is of particular interest, not least to the Prime Minister, is bound to lead to a re-focusing of attention and resources. Whether or not the overall outcome is better depends on whether the Centre's judgement of priorities is better than that of the Department. That is by no means a foregone conclusion, particularly if the Centre's views are shaped by the transient concerns of the media.

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[2] A - large - exception to this general trend has been the growing involvement of Whitehall in decisions on local government services, particularly through strengthened financial controls.

The Centre should however play a major part in setting priorities; Departments cannot function effectively without a clear and constantly updated statement of the government's aims in their area of responsibility. But that process should take place at a strategic level. It is not plausible that systematically substituting the judgements of outsiders for those of experienced departmental staff will be beneficial; and a continuing undermining of Departments' authority will have a corrosive effect on morale and long-term performance.

The notion that the country could be run from the Centre in any case goes against all evidence that effective modern management depends on delegation within clearly set objectives. The scale and complexity of the business of government makes it essential to divide the work into blocks, each with a dedicated team of Ministers and the staff and resources needed to handle its area of responsibility (including the oversight of agreements for service delivery). There are few parallels in other countries for the strength of the UK central departments.

The real issue to be addressed is not whether Departments should be abolished, but what tasks they are best able to discharge and what action is needed to ensure that they are fit for purpose in carrying out those tasks including, where appropriate, outsourcing work to other agents.

Hiving off

The work of Departments should be confined to activities that cannot satisfactorily be undertaken elsewhere, for two main reasons. First, as described in the earlier Better Government Initiative report on the Centre of government, the business of modern government puts almost intolerable pressures on Ministers' time. They should not be burdened unnecessarily with decisions on service delivery or other operational activities. Second, there is little point in the Civil Service trying to duplicate skills and techniques that have already been extensively developed elsewhere. The management of the Royal Palaces, for example, had been a responsibility of the Office of Works from the fourteenth century until the 1980s when it was recognised that, so far as the unoccupied historic palaces were concerned, it would make far more sense to set up an independent agency that could recruit staff from, and draw on the well developed practices of, the heritage/tourism industry of which they were now so clearly a part.

That is not to say that any activity of government that could be undertaken by other bodies should immediately be transferred out. There may be sound arguments, where the pressures arising for Ministers are few and transitional costs would be high, for retaining existing internal arrangements. But there should be a continuing effort to identify and hive off suitable blocks of work.

Core responsibilities

When all such activities are stripped out, however, there remain three types of function that can only be undertaken by government Departments:

- the traditional activities of government Departments (often described as "generalist" but in fact requiring highly developed specialist knowledge and skills) which include:
  - policy analysis, development and implementation (in cases where wider interests are involved responsibility may be shared with the Centre, but it makes sense for the main burden to fall on the Department with direct experience of the area under examination);
  - designing and setting up systems to give effect to ministerial decisions;

  - preparation of legislation**;**
  - support for Ministers in government activities including the handling of Parliamentary business**;**
  - government finance;
- certain operational tasks, for example the work of Customs Officers, that can only be undertaken by staff trained and developed within government and answerable directly to Ministers;
- the work needed to enable Ministers to ensure that activities that have been outsourced are conducted in a way that fully reflects the policy framework, including targets where relevant, set by government.

Alongside these are the generic corporate services tasks any substantial organisation must undertake to manage its staff, handle its communications and relations with the media, negotiate and enforce contracts, etc.

OUTSOURCING SERVICE DELIVERY

Options for outsourcing

Many of the areas of Departments' work that can be successfully hived off involve the provision of public services. A number of different models for outsourcing to service deliverers are available:

- privatisation, where the activity is a commercial operation that can be sold to the private sector;
- contractorisation, where there are no saleable assets but the operation is sufficiently clearly defined (e.g. the payment of teachers' pensions) that no government involvement is required beyond the negotiation of a legally binding contract;
- independent Agencies, where assets (e.g. the historic royal palaces) cannot be sold but their management can be undertaken as a commercial operation;
- Non-Departmental Public Bodies (NDPBs), not-for-profit organisations whose statutes guarantee that functions outsourced to them will be discharged in the public interest;
- Executive Agencies (such as Jobcentre Plus) which remain part of the government but enjoy a large degree of operational independence;
- regulators, whose supervision of private-sector activities is based on technical appraisal of compliance with clearly-defined policy parameters;
- "social regulators" (a new term) such as the Healthcare Commission whose judgements are less technical in nature but which can operate transparently within clearly defined terms of reference.

The boundaries between these categories are not sharply defined and options may be adopted that do not fit easily within any category – for example the setting of the official interest rate by the Bank of England Monetary Policy Committee. Perceptions of what it is possible to outsource have been refined and developed in the light of experience and there is no sign that the process has yet reached a limit.

Within government, new skills have developed to underpin this process: identifying opportunities for outsourcing, negotiating agreements (including Public Service and Delivery Agreements), setting stretching but realistic targets – and not too many - that focus on key outcomes, designing appropriate forms of intervention if the body to which tasks have been outsourced drifts off course, and monitoring performance. Some of these skills are generic

and can be taught and reinforced from the Centre, but their successful application also requires the more detailed knowledge that should be available in Departments through their long association (based on resource allocation) with service deliverers.

Relationships with service deliverers

Where a Department has outsourced activities it continues to have overall policy responsibility and the responsibility to work with service deliverers to ensure that delivery is in accordance with the Secretary of State's requirements and within the resources provided. In these circumstances the role of the Department is:

- to establish the strategy and relevant policies;
- to make the policy requirements clear to the service deliverer;
- to secure resources from the Treasury and allocate them to the service deliverer;
- to set out the outcomes expected from the resources provided, establishing where appropriate stretching but realistic targets for the key activities;
- to monitor performance and expenditure at regular intervals;
- to maintain the capacity and processes to intervene rapidly and appropriately if there are serious failures in delivery.

For service deliverers the key responsibility is to undertake effectively whatever activities have been delegated to it and achieve the required outcomes in accordance with the Secretary of State's policy priorities and within the resources provided. It is important that, having delegated the activities, Departments do not become too closely involved in the day to day operational responsibilities of the service deliverer. Nor should they seek to second-guess it. For those reasons the Department should keep to a minimum the number of staff overseeing the service deliverer and those staff should focus on policy development and monitoring performance.

It can be helpful for the Department and the service deliverer to have a common culture, but the operational relationships between them should clearly reflect their respective roles and responsibilities. Best practice suggests the following pattern:

- the Department sets out a clear annual statement of the policy priorities and resources allocated, preferably in the context of the three-year rolling Comprehensive Spending Review (this should be done well before the operational year begins so that the service deliverer can plan ahead);
- the Department, through the Public Service Agreement, provides at the same time a statement of the outcomes expected from the resources provided;
- performance reviews between the Department and service deliverer are held regularly during each year and at the end of each year;
- openness, frankness and mutual trust are maintained at all times between the Department and the service deliverer.

This last item is particularly important to enable the service deliverer to keep in touch informally with policy issues within government (and so contribute to developing policies from its practical experience) and to enable the Department to pick up any emerging delivery problems in good time. It can be greatly assisted by regular informal meetings between Ministers and staff in the Department and the staff of the service deliverer.

The role of the Department in setting the strategy goes beyond purely operational matters. The high-level strategic framework may be required to change in response to changes in

circumstances or political goals. This needs to be understood by the service deliverer and be a proper subject of discussion.

Design of service delivery agents

It is not practicable to outsource activities where operational decisions regularly involve controversial political judgements. That would require ministerial intervention to a degree that would negate the whole purpose of the transfer. Nor can functions be transferred when policy parameters are still in flux. Bodies taking over tasks delegated from government need to have a clear remit (allowing for some adjustment in response to external developments) in order to design and maintain an effective and stable organisation to undertake them.

Even where these principles are followed, the effectiveness of service deliverers can be undermined by flaws in design. For example, it is hard to see how Regional Development Agencies can function effectively while they and their CEOs report to four Departments, each with a say in their objectives and a Permanent Secretary as "superior Accounting Officer". The importance of finding methods of dealing effectively with the matrix of accountabilities to which this sort of multi-function body needs to respond is growing as themes such as "communities" and "life chances" play an ever larger part in government policy.

A successful service deliverer therefore needs to have:
- a clear and well focused remit that will remain reasonably stable over time;
- a manageable pattern of accountability.

These need to be properly reflected in the service deliverer's constitution. Whatever the formal position, however, Ministers and Departments will always be in a position to bring influence to bear through their control of resources and appointments. While service deliverers are performing responsibly it is essential that covert pressure is not exerted to divert them from their own best judgement of how to achieve their remit.

Local government

This report does not deal with local authorities since they are not constitutionally agents of government Departments and have their own separate electoral mandate. Nevertheless local authorities are the providers of many of the most important and pervasive public services and are in practical terms subject to government intervention both through financial mechanisms and through statutory controls. They are also a valuable source of ideas and experience on policy development and implementation. This complex relationship is considered in a separate Better Government Initiative report.

DEPARTMENTAL EXCELLENCE

Policy

Modern government is an interconnected process and the days are gone when Departments could conduct their business largely autonomously with only occasional reference to the Centre. But excessive reliance on the Centre for policy development is bound to lead to severe problems of overload, especially for the Prime Minister who, as earlier reports have indicated, already has a near-unmanageable workload. There are also more direct practical reasons for Departments to take the lead. The advantage of closeness to their subjects, and the

ability to draw on both theory and practical experience, means that Departments are the natural originators of policy proposals in their specialist areas. The Centre has an important part to play in stimulating and challenging Departments, but its knowledge of specific policy areas will inevitably be more superficial.

Successful policy development needs to combine the ability to "think outside the box" with a solid grounding in experience. It requires a fruitful interchange between politicians, who set out the aspirations of the government, researchers in academe and think tanks, practitioners who understand the nuts and bolts of delivery, and the recipients of the policy who know what they want.

Within government, these elements are most effectively combined at the level of the Department. In an effective government Department the Secretary of State and his ministerial team should include the members of the government party with the clearest vision of what needs to be achieved in the areas for which they are responsible. Civil servants should have years of experience of working in their specialist area to draw on. They should have long-established links with outside experts, practitioners in the field, and groups representing end users, who can all be called on for theoretical and practical advice as the policy develops. The Department's specialist administrators should be immersed in the continuing policy debate in their area and familiar with the processes needed to subject emerging policies to appropriate stages of consultation, translate the outcome into legislation, take it through Parliament and put it into effect. They should ensure that policy submissions to Cabinet and its Committees are carefully prepared and presented in terms that enable informed decisions to be taken.

Consultation is a key element in policy formation. The government has no monopoly of wisdom and operational disasters can be avoided by soliciting comment on policy proposals from a wide range of contributors in their capacity as citizens, clients, users and providers. In some cases consultation may be necessary to avoid the risk of judicial review by giving due notice to those who will be affected and allowing them an opportunity to comment before final decisions are taken. Consultation is an area in which Departments have traditionally developed high levels of expertise through experience in drafting documents such as Green Papers and through their extensive network of contacts. More recently, the role of departmental staff in this process has been reduced and it has often been claimed that consultation is perfunctory and based on partial or otherwise unsatisfactory material. That trend needs to be reversed.

Policy development in many areas of government is a highly specialised evidence-based activity. To carry it out successfully a Department needs to be a centre of excellence in its own right, with professional staff whose expertise at least matches that of outside institutions, who are constantly in touch with non-government experts in the UK and developments overseas and who are able to understand and pass objective judgement on the various scientific, technical and other expert material relevant to its activities.. Ideally, the Department should have its own research group. If that is not cost-effective it must have the capacity and means to identify gaps in its knowledge and commission relevant research.

Service delivery

Departments with service delivery responsibilities should have a similar facility. They need to treat the review and improvement of the outcomes and outputs that their agents produce as a key part of their task. To do this they need an analytic capability which maintains continuing

oversight of the performance of service providers and produces formal reviews at intervals of, say, two or three years. These would tackle such questions as:

- have the outcomes the Department promotes been rightly identified?
- if not, how should they be revised?
- if they are rightly identified, what progress is being made with them and what are the obstacles to doing better?
- how does the service compare with the level and quality in other similar countries?
- what can be achieved by the Department's present instruments for supervision and what changes would improve them?
- does the Department have access to enough experience in the work of its service providers and of what succeeds and what does not?
- what questions relevant to the Department's services are researchers tackling; if there are gaps, should the Department undertake or commission research on them?

The pace of change in outsourced service delivery has been swift and Departments have little opportunity to develop any breadth of expertise (since any one Department's direct experience will be limited to relatively few cases). The Centre, with its wider perspective, can play an important part in helping Departments to identify opportunities for outsourcing and to devise appropriate control regimes. But success will depend on making full use of the knowledge about a service and its divisions that is available within the Department. It would not be appropriate for the Centre to impose targets and structures without thorough prior consultation with departmental Ministers and officials. A decision, following such exchanges, to overrule the Department would be a serious and risky thing for the Centre to do and the arguments and evidence on both sides would need to be recorded in writing.

A specific area where expertise built up at the Centre can be of value is the setting of appropriate targets. If targets are set well they can contribute a lot to improving services and also strengthen accountability, but inappropriate targets may do more harm than good. Targets can usually cover only part of a service, which needs to be important, representative, and not too likely to lead to distortion or "gaming". Information on performance needs to be available and reliable and this may not be easy to arrange (the NAO has recently drawn attention to the number of Public Service Agreements for which suitable information is not available). There could be benefit from involving potential service deliverers, through some form of tendering process, in proposing targets that would secure their ownership and minimise the scope for "game playing". Combined Public Service Agreements for crosscutting topics could be of value where the Departments involved had similar aims.

HUMAN CAPITAL

Required skills

As with any knowledge-based organisation, a government Department's main asset is its people. If their expertise is not fully utilised in developing policy, or is allowed to dissipate through lack of attention to training or career management, the outcome will be poor policies and operational failures.

The staff of Departments fall into six main groups:

- specialist administrators who have built up a depth of knowledge and experience in dealing with one or more of the Department's core policy elements;
- professional experts such as economists, statisticians, lawyers, scientists;

- corporate services staff handling the normal business of a large organisation such as human resources;
- operational staff, when the Department has direct responsibility for carrying out a particular service (e.g. tax collection);
- media staff, whose principal task is to present and communicate the Department's policies;
- special advisers, appointed by Ministers, who have close links to the government's political machinery.

With the exception of special advisers (who are not permanent Civil Servants), staff with the relevant qualifications may move between the groups and are often expected to do so in order to widen their experience and deepen their understanding of the Department's work. For the same reason, exchanges of staff with relevant organisations outside government are encouraged.

The specialist administrators need the knowledge and capacity to look and plan ahead. Their training and development requires a careful balance to be struck since it must equip them both with skills that are acquired through practical experience within government and with relevant academic and technical knowledge. They must have a good grasp of economics, statistics and management; theoretical and practical knowledge of the workings of Parliament and the preparation of legislation, and in-depth experience of their Department's specialist areas. An important aspect of their work consists of bringing sources of high-level expertise both within and outside the Department to bear on the issues to be considered and ensuring that conclusions and recommendations are succinct and expressed in terms that are accessible to lay readers.

In carrying out their key role of advising Ministers, Departments draw on their human capital of knowledge and experience built up over the years through the training and career planning of key staff. For example, in the Department dealing with housing policy:
- lawyers need to have a comprehensive knowledge of the relevant statute law and the possible vulnerability of ministerial decisions to judicial review;
- economists and statisticians need to be at the forefront of their field, with a deep understanding of the implications of census, household, house condition and other related data for household formation and the pattern of housing demand;
- specialist administrators must be actively engaged in the development of policy and able to draw on extensive experience in constructing housing legislation and helping Ministers to pilot Bills through Parliament;
- all groups of staff must have access to far-reaching and well-established networks of contacts with people within and outside government who have expert academic or operational knowledge of different aspects of housing.

If they fall short in any of these areas their advice will be flawed and the consequences potentially disastrous, for example legislation that is legally flawed or unenforceable in practice. Recent examples – for example the flawed introduction of the Home Information Pack scheme – have shown that in some areas, particularly those involving skills of implementation, departmental staff may not be up to the mark.

Where a Department is responsible to a Minister for service provided under a contract the Department has to maintain the expertise and capacity to construct an effective contract – that sets realistic and challenging goals and contains sufficient specification – and to ensure that

contract terms are complied with and the results are those expected. Most private sector suppliers will do no more than the strict terms of the contract require. Without expertise in the supply of the service the Department will get "taken to the cleaners". This expertise in contract management is essential for every contractual or quasi-contractual relationship, including those with Executive Agencies (which remain part of the Department).

The Centre will be able to act as a source-book of good practice, but every contract is different and needs to be approached with care. Private sector provision may be better and cheaper than the public sector but that is not necessarily the case. Full costs, including long term contract management, are an important part of the equation. In order to be able to advise on policy as well as contract management Departments need extensive experience of what is involved in service delivery, the possibilities for improvement, and the management difficulties the providers face. It has been fatally easy to rush to contracting out without adequate knowledge and without the capacity to monitor and control.

Maintaining Departments' human capital

Since the Northcote-Trevelyan reforms in the middle of the nineteenth century, the British Civil Service has had a high reputation for intellectual strength, political impartiality and freedom from corruption. This was founded on selection by merit from a field of high achievers who were keen to use their abilities in the service of the nation. The traditional system, which relied on direct entry to the "fast stream" from university, has now been supplemented by recruitment of candidates of equal quality, some at very senior levels, with relevant experience in other sectors.

The rigorous selection process has been backed by training, under the aegis of the Civil Service College and its successor the National School of Government, in a wide range of key skills.

Theoretical training has been reinforced by active career management, ensuring that individuals benefit from experience in the full range of areas and activities for which they will be responsible. This real-world experience of practical constraints and opportunities is the essence of Departments' contribution to the process of government and provides the basis for a departmental culture that is active and innovative, analytic and knowledgeable, capable of performance management in the broadest sense, willing and able to take the lead in policy development and, when necessary, to argue - with evidence - against proposals from the Centre.

In all of these areas, Departments benefit from the support of the Centre – organising the selection process, designing courses, encouraging free movement between posts, providing expert support to professionals, approving the most senior appointments, and challenging potential "capture" of departmental policy by too close identification with interest groups.

Recruitment, career management and training

Civil-service-wide recruitment based on merit has provided a constant flow of high quality entrants whose loyalty is to the service as a whole rather than to particular areas or factions. It is an essential feature of the British system of government, which relies heavily on the impartiality and political neutrality of the Civil Service. The distinction between competitive

recruitment of permanent Civil Servants and appointment of political special advisers must be carefully maintained.

Recruitment to permanent appointments from outside the Civil Service has helped to enrich the mix of skills and experience available to Departments, but it needs to be soundly based on operational need, not arbitrary targets. It should normally be at grades that allow scope for the new entrants to acquire skills and insight into the special requirements of government before moving into positions of authority.

External advertising for specific posts is a risky option which the private sector tends to treat as a last resort. In some cases, where special skills are required that are not currently available, it may be inevitable, but in general an organisation will have a far deeper knowledge of the skills and capacity of its own staff than can be gleaned from external references, written records and interviews.

The process of planning postings to meet career development needs should be managed more thoroughly. Only Departments are in a position to assess and respond to the specific needs of their specialist areas, but in the past their approach to this has been somewhat haphazard. They need to raise their game in identifying what is needed and ensuring that there is an uninterrupted supply of staff who have built up the relevant skills. The Centre can help Departments to build up an effective capacity to do this. The recent initiative of the Civil Service Commissioners in talent development for future leaders of the Service is a helpful move.

Active involvement by the Centre in career management is needed not just for the 3000 or so members of the Higher Civil Service, who will occupy key policy development and higher management roles, but also for the feeder grades as they acquire the bedrock of skills in the operations of government. The buy-in of Departments is however essential, and the role of the Centre must be clearly advisory and professional: there must be no suggestion that permanent Civil Service appointments are affected by political considerations.

Core responsibilities of the Centre in career management will include overall direction of human resource policies and guidance on project management. It will also play a part in facilitating moves, exchanges and other means of broadening experience.

The value of management experience in career development has become widely recognised now that service delivery plays such a prominent part in government objectives. But it has to be handled intelligently – the operational role needs to be appropriate to the likely future career needs of the individual. This is an area in which there appears to be a continuing gap between theory and practice. It is noteworthy how few Permanent Secretaries have the sort of management experience they now advocate.

Training is another area that needs to be driven from the Centre to meet the demands of the future. The policy of demand-led training that was adopted at one stage by the Civil Service College has been a disaster, with Departments focusing on immediate requirements at the expense of long-term development. Particular emphasis should be placed on the skills needed in service delivery such as project management, procurement, financial management, communication and leadership. The National School of Government appears to be moving in the right direction but needs further support and strategic guidance. It would be helpful to develop stronger links with the best business schools in the United Kingdom and elsewhere.

Training for Ministers should also be considered. Ministers are increasingly appointed from the ranks of professional politicians with no wider management experience, but they are in a very powerful position in relation to officials in their own Departments and to service deliverers. Well-intentioned intervention, perhaps based on a single "hard case", can be very damaging. They need training to help them understand this unfamiliar territory and appreciate the importance of setting objectives, not prescribing methods of achieving them. Indeed, this is of such importance to the conduct of good government that there is a case for making such training a prior requirement for appointment to ministerial office. Given the pressures on Ministers after appointment, the training may need to be provided at an earlier stage for backbench members of all parties.

THE BALANCE BETWEEN DEPARTMENTS AND THE CENTRE

The balance between Departments and the Centre, long taken as settled and unalterable, has been in flux for some time in response to the pressures of modern government.

The Better Government Initiative report on the Centre of government laid heavy stress on the need to avoid stifling Departments' initiative through detailed, sometimes seemingly arbitrary, central involvement in operational matters. A key conclusion was that the role of the Centre in departmental business could be of value in a challenge role, for example countering the potential risk of producer capture, but should be kept to a demonstrably necessary minimum.

The art of modern government is, to an increasing extent, that of achieving effective delivery of public services through mechanisms that are economical and efficient and avoid disruption or unnecessary confrontation. That is best achieved through the maximum possible devolution of authority to Departments, taking full advantage of their specialist skills and in-depth experience. If the Centre seeks to go beyond this and directly control the activities of Departments it will run into the familiar problems that have led to the ultimate failure of central planning wherever it has been tried. There is room for concern that excessive centralisation in recent years has, in fact, led to an erosion of departmental expertise that is linked to failed laws and bad policies.

But this does not imply that if the Centre were to withdraw all would be well. The demands of modern government, notably the emphasis placed on delivery, have thrown up new challenges that Departments would struggle to respond to without adequate support from the Centre.

The Centre is a valuable source of advice and help in areas such as the organisation of cross-cutting policy aims that involve many participants and specialist skills such as target setting. There are wide variations in Departments' capacity and the Centre has a key part to play in assessing their performance through exercises such as the Capability Reviews and in helping them to identify current and future skills requirements and establish and maintain training and career management arrangements to meet them. There is a strong case to be made for reinforcing the Centre's capacity in all these areas.

Departments will, in particular, greatly benefit if the Centre, as the focus of government policy as a whole, can improve the coherence and consistency of its own organisation and operations.

ANNEX: Summary of conclusions and recommendations

1. The Centre's part in setting priorities for Departments should be at a strategic level.

2. There should be a continuing effort to identify and hive off suitable blocks of work from government Departments to other service providers.

3. Some outsourcing skills are generic and can helpfully be taught and reinforced from the Centre, but their successful application also requires the more detailed knowledge that is available in Departments through their long association (based on resource allocation) with service deliverers.

4. It is important that, having delegated activities, Departments do not become too much involved in the day to day operational responsibilities of service deliverers. The Department should keep to a minimum the number of staff overseeing them.

5. Openness, frankness and mutual trust must be maintained at all times between Departments and the service deliverers. It can be greatly assisted by regular informal meetings between Ministers and staff in the Department and the staff of the service deliverer

6. A successful service deliverer needs a clear and well focused remit that will remain reasonably stable over time and a manageable pattern of accountability.

7. While service deliverers are performing responsibly it is essential that covert pressure is not exerted to divert them from their own best judgement of how to achieve their remit.

8. The advantage of closeness to their subjects means that Departments, rather than the Centre, are the natural originators of policy proposals in their specialist areas.

9. The role of departmental staff in the consultation process has been reduced and it has often been claimed that consultation is perfunctory and based on partial or otherwise unsatisfactory material. That trend needs to be reversed.

10. To discharge its policy development role effectively a Department should ideally have its own research group. If that is not cost-effective it must have the capacity and means to identify gaps in its knowledge and commission relevant research.

11. Departments with responsibility for service delivery need an analytic capability which maintains continuing oversight of the performance of service providers and produces formal reviews at intervals of, say, two or three years.

12. The Centre, with its wider perspective, can play an important part in helping Departments to identify opportunities for outsourcing and to devise appropriate control regimes.

13. If targets are set well they can contribute a lot to improving services, but inappropriate, or too numerous, targets may do more harm than good. Information on performance needs to be available and reliable and this may not be easy to arrange.

14. Training and career management of specialist administrators must equip them both with skills that are acquired through practical experience within government and with relevant academic and technical knowledge.

15. Where services are provided under a contract the Department has to maintain the specialist expertise needed to ensure that contract terms are complied with and the results are those expected.

16. The distinction between competitive recruitment of permanent Civil Servants and appointment of political special advisers must be carefully maintained.

17. Recruitment to permanent appointments from outside the Civil Service needs to be soundly based on operational need, not arbitrary targets. It should normally be at grades that allow scope for the new entrants to acquire skills and insight into the special requirements of government before moving into positions of authority.

18. Only Departments can assess the specific needs of their specialist areas. They need to raise their game in identifying what is needed and ensuring that there is an uninterrupted supply of staff who have built up the relevant skills. The Centre can help Departments to build up an effective capacity to do this.

19. Active involvement by the Centre in career management is needed not just for the Higher Civil Service but also for its feeder grades.

20. Training should be driven from the Centre to meet the demands of the future. Particular emphasis should be placed on the skills needed in service delivery such as project management, procurement, financial management, communication and leadership. The National School of Government needs further support and strategic guidance. It would be helpful to develop stronger links with the best business schools in the United Kingdom and elsewhere.

21. Ministers need training to help them understand the operational issues involved in running large organisations and the importance of maintaining a strategic role. Given the pressures on Ministers after appointment, the training may need to be provided at an earlier stage.