

CIVIL SERVICE REFORM

Speech delivered by Lord (David) Sainsbury
at the Institute for Government
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I want to start the discussion this morning about the reform of the civil service by saying something about my own experience as a Minister, because it was while I was a Minister that I first became aware of why the overall performance of the civil service was dysfunctional.

It was not because the performance of civil servants was poor. The civil servants I had working with me in the DTI were quite as enthusiastic and hardworking as the people I had working with me when I was working in my family's business. But as I gradually came to realise we were all being asked to work in a dysfunctional system. There were two reasons why it was dysfunctional. Firstly, the remuneration and promotion system seemed to have been designed to encourage people to constantly change jobs, with the result that civil servants quite often knew very little about the policy area they were supposed to be briefing me about. And as I stayed happily in the same job for eight years, by the end of my time as a Minister I often found myself briefing the civil servants about policy matters.

The second thing that I found odd was that nobody seemed to have the job of managing the civil service. When I started I assumed that this was the job of the Cabinet Secretary as Head of the Civil Service, but this was apparently not the case.

For example, on one occasion while I was in the Government two reports were produced simultaneously about how Government could use government purchasing to encourage product innovation. Both of them said much the same thing and the recommendations were all agreed by the Government.

As I was Minister of Science and Innovation I thought six months later that I would find out how the implementation was working. I found that nothing was being done. Outraged by this I managed to get a meeting at Downing Street of people way above my pay grade. As I remember, the Cabinet Secretary, Gus O'Donnell, was there as was the head of the Prime Minister's Policy Unit and John Kingman, then head of the Treasury's Enterprise and Growth Team.

At the meeting we all agreed that the two reports on government purchasing were not being implemented, the Cabinet Secretary explained that he did not have the power to tell Permanent Secretaries what to do and we all went off home. I have to say I was amazed by the situation, as I did not realise at the time that the Cabinet Secretary has limited authority over the work of Departments. As Lord Butler said of his time as Cabinet Secretary between 1988 and 1999 "I don't think I had any great sense of power because [the Permanent Secretaries] have their own responsibilities to their secretaries of state. It is not for the Cabinet Secretary to boss them about. And so you're really leading a team rather than having any great power".

As a result of my experience in government I set up the Institute for Government in 2009 to improve the machinery and working of Government.

Then in 2012 an incident occurred that was even more extraordinary and confirmed my view that reform was needed. A group of the non-executive Directors of Government Departments decided that the financial information they were getting was very poor and, therefore, that one of their members, an IT specialist, should design a new financial system which they would then seek to get implemented.

Lord Browne, who was then the lead government non-executive Director, and I heard about this project at the same time and both of us had the same reaction, a one-man attempt to redesign the government's financial system was not going to be effective, and in any case was it not the job of the Treasury to design and improve the government's financial system?

We, therefore, went to the Treasury and asked them what they were going to do. To our amazement they said that the government's financial system was not their responsibility. It was up to each Department to produce their own accounting system.

It also turned out that no accounts were produced each period for the whole of government. All that happened was that each month Government Departments extracted cash flow information from their accounts and inserted them into a Treasury system called OSCAR which sent them on to the Treasury. And if the cash flow figures were in line with the Treasury projection that was the end of the matter. I have to say as a Finance Director for 17 years having to produce every month a set of accounts for the Board which explained every variance from budget over 5% I was amazed and appalled, and I managed with the help of Francis Maude to get George Osborne, then the Chancellor, to set-up a review, and myself to be appointed an Advisor.

As a result, we managed to get two modest reforms to take place. Firstly, that the Treasury official who was in charge of public expenditure should be an accountant, and secondly that the Treasury accepted responsibility for the government's accounting system.

However, shortly before resigning in 2019 the Chancellor of the Exchequer, Philip Hammond, was persuaded to reverse these two reforms, and we were back to square one.

The end of this sad story is that I attended a breakfast meeting at the Treasury with some other businessmen a few weeks ago to advise on the mechanics of the Spending Review. Two things emerged at this meeting.

Firstly, that a considerable amount of time is wasted at the start of each Spending Review trying to agree the past spending figures which Government Departments have with those which the Treasury has. Secondly, proper period accounts which go to the Head of the Civil Service are still not produced, and it was even suggested at the meeting that it was not constitutionally proper for the Treasury to ask Government Departments to produce their financial accounts.

However, I am glad to say that Darren Jones, the Treasury Secretary, is now vigorously tackling this issue and that soon proper financial accounts will be produced, with performance measures being in due course also incorporated into the reporting system.

As a result of these experiences I have in recent years sought to find out why the civil service is so dysfunctional in this and other ways. And I think the Institute for Government has come up with an explanation. I have always assumed, as I think most people have, that the civil service has a statutory basis, that there is a statute which sets out which sort of body the civil service is and how it should be run.

But this is not the case. So, what is the constitutional basis of the civil service? If one persists in asking this question long enough eventually you will be told that the only document which sets out the constitutional position of the civil service is a document which Lord Armstrong, the Head of the Civil Service from 1979 to 1987, issued at the time of the Falklands War and the trial of the Civil Servant, Clive Ponting.

The status of Lord Armstrong's document is very interesting. It was never mentioned to me when I was a Minister, and I only learnt about its existence recently. When I asked to see a copy there was a delay and then I was told that a copy had been tracked down on the Civil Service Library website on which an individual called Martin Stanley has put a list of interesting documents about the civil service. Martin Stanley it turns out is the author of 'How to be a Civil Servant' which has, over the years and over five editions, become a popular induction text for fast stream and other civil servants.

What does Lord Armstrong's memo say? This states that the constitutional position of the civil service is that civil servants in departments report to their Minister who reports to Parliament. Therefore, the Head of the Civil Service has no authority over Permanent Secretaries of Departments. It is also the case that Ministers are totally responsible for managing their Departments. I think this latter point makes little sense. Very few Ministers have had any experience of running a major organisation before becoming a Minister, and once becoming a Minister have no opportunity to find out what happens in their Department before plunging into the unending stream of meetings, visits and parliamentary appearances making up a Minister's life. I remember Stephen Byers, one of the six Ministers I had during my eight years in the DTI, saying that he found the task of running the DTI very daunting as the only organisation he had managed before becoming a Minister was his constituency office which had three people in it, one of whom was his wife.

It also leads, I think, to Ministers unfairly having to resign when it is their civil servants who have got things wrong. For example, Amber Rudd resigned as Home Secretary in 2018 in the wake of the Windrush scandal after misleading Parliament over whether her department had targets for the removal of migrants. In fact she had been given the wrong information by officials, suggesting the Home Office did not have such operational targets when it did.

As a result of becoming aware of the extraordinary constitutional position of the Civil Service, the Institute for Government set up an extremely distinguished Commission

to review the constitutional position of the Civil Service and this reported in March 2024.

Of its seven recommendations, four were of direct relevance how the Civil Service is managed.

1. The Prime Minister should appoint a new, Senior First Secretary of State with responsibility for delivering the government's priorities and ministerial responsibility for the civil service.
2. The Cabinet Office and No.10 should be restructured into a Department of the Prime Minister and Cabinet, and a separate Department for the Civil Service.
3. There should be a new Statute for the Civil Service and a Civil Service Board to hold its leadership accountable for reform priorities.
4. The roles of the Cabinet Secretary (accountable to the Prime Minister) and Head of the Civil Service (accountable to the First Secretary) should be filled by separate individuals.

There is one other recommendation which was included in the original report of the Institute for Government on 'A New Statutory Role for the Civil Service'. And this is that the Civil Service Board should report to the UK and devolved parliaments annually on the performance of the Civil Service against its objectives and the capability of the Civil Service to meet them. The Head of the Civil Service should then be required to appear before Parliament to answer any questions that members may have.

Being an optimistic individual, I assumed that once the folly of the current situation was brought to the attention of everyone action would be taken to change it. But here we are over a year later and nothing has happened.

I thought, therefore, I would use this occasion to bring everyone up-to-date with the current position on Civil Service Reform. With monotonous regularity Prime Ministers say that in power they pull the lever in government and nothing happens. As I hope I have shown, the reason nothing happens is that the lever they pull is not attached to the machinery of government. The Prime Minister, therefore, now has a simple choice. He can go on frantically pulling the lever and seeing nothing happen or he can reform the Civil Service along the lines set out by the Institute for Government and the Commission on the Centre of Government, and see a rapid improvement in the performance of the Civil Service.

The Prime Minister may feel that he has enough problems at the moment without tackling the huge problem of reforming the Civil Service. But the Civil Service could be radically reformed and its performance greatly improved fairly simply over the next six months by taking the following five actions.

Over the next three months he would need to:

1. Separate the Cabinet Office into a Department of the Prime Minister and Cabinet and a separate Department of the Civil Service.

2. Appoint someone to be the Head of the Civil Service.
3. Issue a directive to ministers saying that they should tell their Permanent Secretaries that from now on the new Head of the Civil Service will be responsible for the management of the Civil Service.

Then over the next six months he would need to:

4. Appoint a Board for the Civil Service.
5. Get Parliament to pass a new statute covering the work of the Civil Service (seven clauses).

Finally, can I say that if the Prime Minister makes these reforms I think he will be amazed by how much more effective he would make the government, as well as the extent to which he would enhance the productivity and enthusiasm of the many civil servants who I believe want to help the government meet the enormous challenges we face as a country.