

Public Administration Select Committee

Inquiry into

CIVIL SERVICE REFORM

November 2012

Memorandum of Evidence

By

The Universities of Birmingham and Sheffield
'Shrinking the State' ESRC Research Project¹

1. **Executive summary:**

- a. The hub model of government proposed by the Civil Service Reform Plan potentially involves five types of reform: delegation, floating-off, contracting-out/joint ventures, offloading, and shared services.
 - b. Few of the more radical options were taken during the Public Bodies reform review.
 - c. The five types of reform present feasibility challenges for government.
 - d. There is a tension between the centrifugal forces underlying the civil service reform plan's ambition for improved and more efficient delivery, and the centripetal forces of improved accountability that in part motivated the public bodies review.
 - e. Careful consideration of the sponsorship relationship linking ministers and delivery bodies is necessary to ensure that reform does not lead to an increasingly opaque and fragmented institutional architecture of ever more sophisticated delivery structures.
2. The *Civil Service Reform Plan* (June 2012) represents the latest stage of a number of reforms that have, since the early 1980s, sought to streamline the civil service and increase the professional skills of officials. It is, however, a potentially far-reaching document that raises a host of questions not just about the future of the civil service but also about the future of the state, the public's expectations and the delivery of accountable public services.
3. The implicit direction of travel suggested by the *Civil Service Reform Plan* is towards a **'hub-model of government'** in which a number of small core departments design and approve policies that are then implemented by a range of public, private or hybrid bodies in the most effective and efficient manner possible. This plan would appear to dovetail with the Coalition government's *Public Bodies Reform Programme* and its rapid shift towards a more streamlined institutional landscape. This memorandum seeks to draw the committee's attention to three inter-linked issues – institutional complexity, fuzzy accountability and collective capacity.

¹ This project is directed by Professors Chris Skelcher (University of Birmingham), Matthew Flinders (University of Sheffield), and Anthony M. Bertelli (University of Southern California) with Drs. Katharine Dommert (Sheffield) and Katherine Tonkiss (Birmingham) as Post-Doctoral Research Fellows and Marc Geddes (Sheffield) as a doctoral research student. We would like to acknowledge the financial support of the ESRC research award ES/J010553/1.

4. The reshaping of the delivery landscape appears to involve five possibilities: **delegation** to public bodies (executive agencies and non-departmental public bodies); **floating-off** existing units within central government as social enterprises or mutuals; **contracting-out to or joint ventures with** business, not-for-profit organisations, or other parts of the public sector; **off-loading** activities to new or existing not-for-profit organisations, as in the creation of the Canals and Waterways Trust (a charity) to replace British Waterways (a public enterprise); and **shared services** between government departments and/or executive agencies.
5. Two issues remain less clear: firstly, what are the conditions under which different service delivery models might be feasible (either technically, politically or in efficiency and effectiveness terms); and (secondly) what are the implications for effective public governance of those functions or services in terms of transparency and accountability to ministers, parliament and the public?
6. On the question of feasibility, it is clearly possible to delegate functions to NDPBs and Executive Agencies – this is a well-established mechanism, demonstrated by the substantial transfer of functions to such bodies during the 1980s, 1990s and 2000s. However it is unlikely that the current government will be well disposed to the creation of new NDPBs, since the Public Bodies Reform programme was designed to reduce their number, although executive agencies are regarded as acceptable because they are perceived to be ‘closer-in’ to government and thus more acceptable in terms of ministerial accountability.
7. Floating-off is a popular option currently, with a £19m programme recently announced by the Department of Health and the Cabinet Office. Social enterprises, however, are likely to experience the same problems as any new business start-up, and failure remains a distinct possibility. Dependence on government funding is likely to be the key issue, and continued provision of the service could require longer-term funding guarantees. Specialists on the social enterprise sector will be better able to offer advice on this issue.²
8. The government’s track record with contracting-out and joint ventures is mixed. Large schemes have proved particularly problematic. However there is now considerable experience – built up over the past 30 years – in local government, and also in the NHS. These are not without their own problems, but a substantial volume of public services are delivered through these mechanisms and may provide models that can be adapted for use within central government.
9. Off-loading activities to charities and similar bodies has traditionally been based on contracts with government; however the extent to which such bodies are able and willing to take over public functions without such financial guarantees is yet to be determined.
10. Finally, shared services provide a model whereby back-office functions and some public-facing functions (e.g. customer contact) can be combined. Although appearing to offer efficiency gains, in practice there are complexities in integrating different organisational systems and organisational cultures that may result in

² For example: ESRC Third Sector Research Centre <http://www.tsrc.ac.uk/>.

reductions in service quality (as is also the case where private sector organisations have taken similar steps).

11. It is notable that the recent review of 900+ non-departmental public bodies resulted in relatively few functions being relocated into the more innovative of these delivery models. In only 22 cases were functions transferred to other bodies, including newly created charities and the private sector. However in the light of the Public Bodies Review, and the wider context of financial constraint and civil service reform, departments are now beginning to consider such alternative options.
12. However it is also important to point out that the *Public Bodies Reform Programme* was in part centripetal with transfer of functions back into departments - often to new or existing executive agencies - forming a major element of the initiative. The functions of almost seventy public bodies (with a total expenditure value of £20.5 billion) are therefore not being abolished as such but are being absorbed within departmental structures.³ In contrast, the *Civil Service Reform Plan* clearly has a centrifugal logic that is based around pushing functions away from Whitehall and traditional bureaucratic structures.
13. This centripetal logic is in part explained by our second theme - accountability. The *Public Bodies Reform Programme* was justified in part in terms of the need to **strengthen accountability** to democratically elected representatives. As Minister for the Cabinet Office Francis Maude explained in 2010, 'people have been fed up with the old way of doing business, where the Ministers they voted for could often avoid taking responsibility for difficult and tough decisions by creating or hiding behind one of these quangos'. Although the *Civil Service Reform Plan* contains a strong emphasis on strengthening accountability, it provides less detail on how the adoption of alternative service delivery models can really be reconciled with a constitutional emphasis on ministerial departments. The risk is that fuzzy governance structures will produce even fuzzier accountability systems at a time when clear lines of accountability (and therefore leadership) are required.
14. The public bodies reform process has stimulated an active debate across Whitehall about the sponsorship process - the way in which departments manage their relationship with various forms of delivery body, and thus ensure appropriate and effective direction by and accountability to ministers. To date, the approach to and codification of the sponsorship relationship has varied between (and sometimes *within*) departments. There has also been a lack of awareness of the skills and expertise necessary by those undertaking this function. Now, however, this is much higher on departmental agendas and there is a clearer understanding of the centrality of sponsorship as a key skill if the government is to successfully manage an increasingly varied range of delivery models.
15. In conclusion, the delivery landscape has recently been streamlined and to some extent clarified as a result of the far-reaching *Public Bodies Reform Programme*. However -careful attention to the feasibility and governance implications of the various models, and especially the development of the sponsorship role within

³ National Audit Office (2012) *Reorganising Central Government Bodies*. London: The Stationery Office.

departments, is necessary in order to minimise the risk that the *Civil Service Reform Plan* might lead to an opaque and fragmented institutional architecture that simply replaces non-departmental public bodies with a new wave of ever more sophisticated delivery bodies.