

Speech: Civil Service transformation speech

Welcome – and thank you to the LSE for giving me the opportunity to address this audience on a subject that concerns us all.

The founding aim of this institution was to understand the causes of things and work for the betterment of society, so I could hardly be speaking in a more appropriate place.

Let me start with a clear statement of intent: we aim to be the best Civil Service in the world. A brilliant Civil Service producing 21st-century solutions that make a real difference to the lives of the people we serve.

We are already world-class, and rank very high among the world's administrations. But to stay there we cannot afford to stand still.

Advances in technology, fiscal pressures, changes in society – and in what people expect from their government in accessibility and convenience – have already provided the impetus for major change programmes across our Civil Service.

But we have added exiting the European Union to those demands.

And because what we're already doing is vital for the long term, we have to find a way to integrate Brexit into that change.

To me Brexit is an accelerator, a spur; not a distraction.

We are already making fundamental – and necessary – changes to how we work, right across the organisation.

The only way to handle Brexit as well, is to deepen and accelerate those changes.

In other words, as Britain exits the EU, we have a moment to forge ahead. A moment when ambition, necessity and opportunity have converged.

Last week, we faced just such a test in the collapse of Carillion. I will return to this later – and describe how the government's response underlines the argument for transformation and at the same time as it shows how far we've already come.

But we must go further, faster.

We must seize the moment to push us on to greater efficiency and effectiveness.

And the whole of the Civil Service has a role to play in ensuring we continue to innovate and improve our public services to rival any in the world.

I'm not talking about cosmetic adjustments but profound, lasting, transformational change.

This has three main components. We need to transform:

- how we work
- where we work, and
- the expertise we bring to bear on our work

First:

We have to collaborate more – because citizens expect government to be joined up around what they, the customers, want.

What they don't want, when they engage with us, is to get on a bureaucratic merry-go-round, where the only options are going round in circles or bailing out.

We must make full use of technology and data to modernise the design and delivery of services, and to inform more robust policies that meet people's real needs.

And we must be open to new, smarter ways of working, and doing things differently.

Which merges with the second element:

Throughout the UK, we need modern, flexible workplaces that encourage us to work differently: sharing space with other departments, making it easier to work across boundaries, with a regional and local focus, and giving our people the most up-to date equipment for the job. Because 'smart working' is about maximising the potential of IT and more adaptable use of premises.

And, lastly:

- change in the expertise we bring to bear on what we do – because, ultimately, a brilliant Civil Service is about people, what they bring to the job, and how we get the best from them

Greater diversity and inclusion are an important part of this. We have set an ambition to be the most inclusive employer in the UK by 2020, which will help to give us the talented individuals we need – with all their contrasting experiences and insights – and the supportive environment in which to fulfil their potential.

But it means something more.

It is about developing professional excellence in key areas to complement and build on the world-class policy-making, legal and diplomatic skills we already have.

And it's about engineering a fundamental shift in the balance of experience and skills of civil servants; and doing this by diversifying the shape and

trajectory of the careers of the next generation of Civil Service leaders, so they're equipped to tackle the wider demands of the modern world.

This last point is critical to the change we're undertaking. Because a great prize is in view – one that holds out opportunities for our people to acquire new skills, build new careers, and be part of sustaining a world-leading Civil Service.

We will win this prize by underpinning improvements with strategic changes in the three areas I've already identified.

These deeper changes depend on:

- embracing advances in technology and data
- on reshaping the workforce around new career pathways and the core government functions, to make us as effective in execution, services and procurement as we are in policy-making; and
- on working smarter for greater efficiency and effectiveness; and
- finally, on a more inclusive and delivery-focused approach to leadership

We've made significant progress in adopting new technology. We're plugging in digital government, from back-office to frontline services.

We're making fundamental changes through innovative services such as Universal Credit and the Personal Tax Account, where the end-to-end process of delivery is being transformed, as well as the interface with the customer. Or the biggest courts reform programme in the world, introducing virtual hearings and digitising the entire end-to-end process.

In all of these cases, changes beneath the surface show themselves in changes to physical locations: fewer, more efficient courtrooms, fewer tax offices, and fewer, bigger, service centres hosting the back offices.

Each will bring lasting and profound change to the Civil Service and how we interact with citizens. Each is a multi-year, multi-million pound change programme, absorbing huge management effort and focus.

On a smaller scale, but just as visible and important, are the many examples of technology-driven change improving how users experience government services:

- DVLA has moved many of its services online – I expect many of you here today have seen the benefit
- the Passport Office aims to have 90% of all passport renewals fully digital by 2020
- if you want to, you can now get a divorce online, or, curiously, find out how to import a ferret

In fact, by 2020 we expect nearly 100 government services to be available digitally.

At the same time, we anticipate that many of our services will begin to benefit from the huge potential of robotics – or, more accurately, robotic

process automation (RPA). In speed and accuracy of response, RPA could transform the experience of citizens registering for services, or applying for grants or benefits.

For civil servants, too, process automation is something to embrace rather than fear. It'll create more time to spend on customer-facing work; enhancing jobs by making it easier to navigate and work with data. We already see this in the way technology enables DWP work coaches in Jobcentres to help their clients.

HMRC is at the forefront of the RPA revolution. It has already automated its system for registering new employers. And we have set up a Centre of Excellence to accelerate the take-up of RPA across government. There's ground to make up on other clerically intensive industries. But we can learn from their experience and from local government, and we will accelerate our efforts.

Increasingly, these digital services rely on access to data.

Government has always had great stores of information.

Now we need to focus on better use of this data to continuously improve the services we provide, and spend less time developing those that ultimately don't work. We need to target those who need our services more specifically, and to tailor those services more accurately, instead of asking citizens for the same information multiple times.

There's a great deal to do, and there are genuine sensitivities to the free flow of data across our boundaries. Citizens will rightly demand that we use their data responsibly, safely, and only for the public good, never for profit. And that we store it securely and don't expose them to risk.

The data access and sharing provisions of the 2017 Digital Economy Act will help us do this while retaining public trust in how we handle their information when there is clear public need or benefit.

We recently announced the creation of the Geospatial Commission. This will allow us to exploit the huge and diverse data we hold on geography and location, which is currently handled by more than 70 disparate bodies.

It will establish a set of common standards to make the data easier to find, access and link up with other data sets – fuelling new insights and innovation.

Making this information more easily available and usable is potentially worth more than £10 billion per annum – boosting the UK economy and generating new jobs.

This is just the start of the data journey. We have many other initiatives across government to drive better use of data, and I'm excited to see how we can accelerate them.

To make the most of the opportunities we are upping our skill levels across

the Civil Service.

The Digital Academy is training up to 3,000 civil servants a year in the skills they need (in data and technology as well as digital) to transform the way government designs services with users' interests at their heart. And it's expanding nationwide.

Our Data Science Campus in Newport, now a year old, will eventually produce up to 500 qualified data analysts for government.

The campus is a state of the art facility that will help us to attract and nurture the brightest talents to work on some of government's most complex issues.

When I visited the campus last year, I met a wonderfully diverse group of apprentices; of different experiences and ages, from different parts of the country – all excited to push the boundaries of data measurement and application.

And, before I move on, I have to say I sense that the new status of data, and of those working with it, is mobilising a shift in the centre of gravity for analysis in Whitehall.

With data analysis and its supporting technologies increasingly a factor in new digital services, analysis is gradually moving from being a preserve of policy to powering decisions made in the moment by civil servants on the front line. The upshot of this is not only greater efficiency, but a more personalised experience for citizens.

The second area of major change we are undertaking is in the shape of the workforce.

The Civil Service is brilliant at policy. The best in the world, according to the first International Civil Service Effectiveness Index.

And there's a good reason for this: everything in the way we organise ourselves as a workforce: our systems and structures – our career paths – how we reward people – the skills and experience we value – the rationale for promotions, all are geared to nurturing policy experts.

This is a vital strength. It has served the Civil Service well for at least a decade. But to meet the challenges ahead, we need something more – and that is deeper experience in delivery – in particular commercial, technical and project execution skills.

This is increasingly clear as we tackle the challenge of exiting the EU, for which we must design new UK policies and institutions, and build new systems to execute them.

To achieve this transformation means breaking the mould of the traditional Civil Service career and casting a new one. Because experience matters; and it requires staying in one job long enough to gain that experience, rather than moving from job to job at the rate some of our current structures

encourage.

In a few years' time, my vision is that the leadership of the Civil Service will have a blend of skills and experiences, supplementing the predominant policy or economics background of today with delivery experience gained within the organisation.

This is perfectly achievable – we can offer fabulous experience to delivery-orientated young people across a vast range of challenging projects.

Already, all the Government Functions are building their own career paths, and the graduate Fast Stream offers opportunities in 15 different schemes for new and existing civil servants: from Digital, Data & Technology, to Project Delivery and Commercial.

We are delving deep into the existing structures to change them – changing career paths; what we value; how we remunerate; how and why people progress. The aim is to create a new cadre of Civil Service leadership, blending the strengths we already have – and must preserve and protect – with what we need to add – which is about experience-based delivery capability.

This is what I mean by breaking the mould and 'reshaping' the workforce – producing civil servants, leaders and managers of judgement – the sort of judgement that comes from deep experience. Those who, in a procurement, say, use accumulated, wider experience and insight to select the best option rather than reflexively choosing the cheapest – they won't necessarily be the same.

There is growing evidence of this 'reshaping' in action.

We're resetting our relationship with IT suppliers so that we can bring inside the expertise we previously used to have to contract out. And we're disentangling ourselves from expensive, inflexible contracts that tie us in for the long term.

HMRC has successfully exited the Aspire IT contract, which ended on 30 June last year and cost £10 billion. Reshaping this contract is creating more opportunities for UK-based SMEs, the kind of firms that fuel growth at the heart of our economy. HMRC is now working with a more diverse range of suppliers to deliver a modern, agile IT capability that is on target to save around £200 million a year by 2021 – a saving of 24%, on a like-for-like basis.

We have brought to bear more sector-specific expertise in property deals, such as the renegotiation of 900 Jobcentre leases; and in improving major project management, through initiatives like the Major Projects Leadership Academy, which has trained more than 300 senior project leaders and seen experts in project delivery and finance deployed to major capital projects, such as the Thames Tideway Tunnel, Crossrail and HS2.

We're adopting the best private sector practice to collect debt, which has added several hundred million pounds of debt repayments in the last financial year – debt that would otherwise have been left uncollected.

And while we've already created one of the biggest shared services centres in Europe, we are going even further: implementing a new, cross-government strategy for shared services that will touch all departments, and make use of best practice from all industries. This approach will unlock hundreds of millions in savings for government and drive efficiency and effectiveness across Whitehall.

None of these would be possible without deep expertise. We will bring in external know-how as necessary – but the emphasis is on developing our own talent in a sustainable way.

Take the Commercial Function.

Government needs the right capabilities to manage every aspect of commercial arrangements with third parties, who account for around half of central Government's service delivery capability. We spend around £45 billion each year on commercial contracts.

The collapse of Carillion last week shone a hard light on the importance of building strong functions. And the way we reacted showed what such functions, operating as flexible cross-government professional networks, can achieve.

Obviously, the last thing we want to see is a major supplier going into liquidation. In the fullness of time, inquiries will look at how it happened and the lessons we should take from it.

Our first priority was to maintain key public services. This was only possible by utilising the cross-government capability we have built up in the commercial function. If this had happened two years ago, we would not have had the expertise or cross government structure to manage it.

But of course it has opened up broader questions:

- whether we were watching closely enough
- why we awarded contracts after the profits warning, and
- how the government should contract with the private sector for the provision of public services

We were watching – as we do with all suppliers – and the response of officials to the profits warning in July 2017 was immediate. Commercial teams across government were alerted, professional advisers retained, and a special project team set up.

We remained in regular contact with the company throughout this period, and were closely tracking the company's efforts to restructure.

I should say that the vast majority of government service contracts were profitable for the company and we were ensuring that nothing the government did during this period exacerbated the difficulties it faced.

In such a situation, any company is of course more watched and more sensitive than in normal circumstances. So the government has a balance to find: it must be careful, on the one hand, not to award contracts if we feel the

company cannot fulfil its obligations; but, on the other, it must not precipitate problems by signalling to the market that the company is unfit to continue to tender for government business.

Of course, following a profits warning, as happened in this case, we undertook additional due diligence – including asking for external views as to the capacity of the firm to undertake new work.

The majority of the large contracts are let to joint ventures, primarily to mitigate the risk of single point failure. And we also revisited those arrangements to ensure that all parties were comfortable with the joint liability arrangements within the joint ventures.

I am pleased to say that in the majority of cases so far the joint venture partner has stepped in exactly as provided for, to ensure the continuity of the service and employment.

Of course, this case raises the question of how government should use the private sector in the delivery of public services.

First, let me say again that the whole basis of building – in this case – commercial capability inside government via the commercial function is to enable us to have intelligent dialogue and to structure intelligent relationships with the private sector. Without it, we are left relying on transactional, price-based relationships which can be sub-optimal for both parties in the long run.

And some of those contracts still exist today, from before we began rebuilding our commercial skills. Here we should be open to a discussion with industry about how best to proceed.

We want both to ensure good value for the taxpayer and to have a healthy, profitable, and diverse private sector, competing for government business. Where that balance isn't working well, we need to sit down and discuss it. For that to happen, we need sufficient expertise and skills inside government .

I believe that the right answer is a more sophisticated relationship that puts risk in the place where it can be managed best and provides sufficient margins, commensurate with the risk, to ensure value for the taxpayer and a healthy, competitive market.

That should be within our grasp.

And that is precisely because over the last two years we have made real progress in strengthening our commercial capability.

In 2016 we launched a rigorous Assessment and Development Centre to assess the skills and capabilities of individuals against commercial professional standards and to set out the expertise they need to progress in their careers. The Chartered Institute of Procurement & Supply (CIPS) and the International Association for Contract & Commercial Management (IACCM) have both endorsed our People Standards for developing and recruiting experienced

and commercially astute professionals.

Within the next week or so, the centre will have assessed 1,000 people for development purposes, a third of them existing civil servants. These assessments have real teeth: if you're good, we'll give you the support you need to grow – coaching, secondments, stretching assignments. If you're not as suited, we'll help find you something for which you are.

And having piloted the assessment centre across the big central departments, we're now rolling it out to Arms Length delivery bodies, too.

As well as assessing commercial staff in their current roles, we've used the assessment centre as part of a recruitment drive. This has filled over 110 senior commercial roles across government in under two years.

Our third strategic transformation goal is to work 'smarter' for greater efficiency and effectiveness

It's pointless having the best people, with excellent skills and relevant experience if we don't put them in environments where they can flourish and make the best use of their talents. So smarter working must start with modern, flexible workplaces, with up-to-date facilities and technology, in the right places and focused on delivery and outcomes.

We are creating around 20 strategic hubs in major cities across the UK, spreading operational centres of government out from Whitehall. Those already announced are in Belfast, Birmingham, Bristol, London's Canary Wharf, Cardiff, Croydon, Edinburgh, Leeds, Liverpool and Stratford in east London.

Last month we broke ground on our latest hub in Cardiff city centre; where we will house more than 4,000 public servants by 2020. This brand-new, city centre building will not only save millions of pounds in running costs, but will also see the UK Government have a consolidated presence in Wales, encouraging collaboration and joined-up working.

By 2020, these ten hubs will accommodate around 35,000 civil servants; and, by 2023, our plans will have reduced the number of government buildings from around 800 to just 200.

Hubs allow us to locate teams from different departments in the same offices – sharing expertise, bringing people together from different professions and disciplines, encouraging collaboration and flexibility.

In moves enabled by Universal Credit, DWP is already delivering more efficient services by concentrating resources in service centres, co-locating with other departments and local government, and in 6 regional corporate hubs.

And by 2021 HMRC will set up 13 regional centres as part of transforming itself into a smaller, more collaborative, better equipped and more highly skilled operation for the digital age. These modern centres will replace the department's ageing network of 140 offices, which are expensive to run and

create isolated pockets, doing a narrow range of work.

Changes of this sort are generating new opportunities for civil servants. And they're changing how we think about work – raising our sights above departmental boundaries, and enabling more collaborative behaviour.

Taken together, these are the instruments of greater efficiency and effectiveness – of greater productivity.

Which brings me to the last area of strategic transformation – in leadership.

All over the country, civil servants at every level are doing brilliant work; getting on with the job of adapting to changes in how, where and when we work; unwaveringly focused on the best outcomes for citizens.

As we execute the changes I've described, the requirements of Civil Service Leadership are increasing.

Change on this scale doesn't just happen.

And the demands on our workforce are increasing – owing to the legitimate expectations of citizens in an increasingly digital age, but also as we embrace the substantial task of Exiting the European Union.

Not only are we trying to fix the aircraft in mid-flight, we're re-engineering it too, while it's flying faster and faster.

And that takes leadership.

Leaders who know enough about how to set a project for success, or where commercial exposure may lie, or what a digital sprint to build a new service in an agile way looks like – as well as knowing the policy case for that service.

Policy expertise is not enough.

We need leaders with empathy, who can manage their teams through transformation and encourage continuous improvement. Leaders with broader experience, who are effective in a complex, multidisciplinary world, who lead with their hearts and their guts, as well as their heads, who see the big picture.

Leaders whose instincts – developed through experience – are collaborative; who are used to working across boundaries, confident beyond their own professional area, and inspire and empower their teams – building on the commitments in our Leadership Statement.

The new Civil Service Leadership Academy embodies this ambition. It will strengthen the ability of leaders from more diverse backgrounds – initially at senior level, but later through programmes open to all grades.

It is setting out to do this in quite a new way, combining what is known about leadership and learning with practical insight from first-hand

experience.

With a 'leaders teaching leaders' approach, we will use immersive case studies to learn from real projects, and examples of governance both good and bad, from the very people who were involved in them. And to produce leaders who connect, the academy will teach the human and emotional lessons – as well as the operational ones – of what's worked and what hasn't.

We launched the Leadership Academy in October.

Our plan is to deepen and strengthen the learning it offers; to build an institution that sits at the heart of the Civil Service that embodies and promotes our deeply held values; the place where knowledge is held and experience shared, and that becomes the benchmark for leadership development.

So we are developing a new model of leadership for the Civil Service. One that builds on the strengths we have, adding depth of experience in execution, technology and commercial, and one that, importantly, is more diverse than today.

So, to conclude, we have a moment, a window of opportunity to accelerate the changes we are making to the Civil Service, using developments in society and technology to propel a transformation in every aspect of the organisation – and the urgency of exiting from the EU to spur us to more rapid action.

It means changing our mindset, how we think about our careers, how we work together and design and deliver services in user-centred ways.

We must seize that opportunity. Some of the changes I've mentioned are longer term, and won't be visible immediately. Others we can see already contributing to a more efficient and effective Civil Service.

But we must pursue both short and long changes with equal vigour and resolution. We've got the shape; we've got the structure – built around a core of essential functions – and we know our destination. And we have the triple imperatives of Brexit, fiscal constraint and citizens' increasing expectations to force the pace.

If I may, for a moment, directly address my fellow civil servants: seeing what you do every day – I know we are not standing still.

We are already one of the best public service organisations in the world. And we should have faith in our ability to be even better. The times demand it. A Civil Service without belief in itself is inevitably a less effective one.

Despite the pressures I see no sign of such negativity.

Equally I see no complacency. We are changing where we must; adding strength where we're already strong; and getting on with the job of implementing government policy.

The challenge of Brexit is very substantial.

We have all seen and heard the headlines in the media. But behind those headlines we have thousands of civil servants working to prepare for and then implement what comes out of the negotiations.

This task would overwhelm a lesser organisation. But it will not overwhelm the UK Civil Service.

We are already undertaking significant transformation in many dimensions, and we will now accelerate those changes to encompass our Brexit work – working together, innovating and always looking to improve so that we can face the future with confidence, and continue to build a Civil Service that the whole country can be proud of.

Thank you for listening.