

**Cabinet**Office

## Government Response to the Public Administration Select Committee's Second Report of Session 2006-2007 "Governing the Future" (HC123-1)



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Presented to Parliament by the Minister for the Cabinet Office and Social Exclusion, the Chancellor of the Duchy of Lancaster By Command of Her Majesty June 2007

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### GOVERNMENT RESPONSE TO THE PUBLIC ADMINISTRATION SELECT COMMITTEE'S SECOND REPORT OF SESSION 2006-07 "GOVERNING THE FUTURE" (HC 123-1)

### Introduction

The Government strongly welcomes this report by the Public Administration Select Committee (PASC). It is a very helpful contribution not only to promulgating a more strategic approach to policymaking but to ensuring departments are strategically well managed. In particular, the Government notes the Committee's strong support for strategic capability at the centre, and its recognition of the important role and functions of both the Prime Minister's Strategy Unit (PMSU) and the Office of Science and Innovation's (OSI's) Foresight Programme.

The Government is committed to making strategic thinking and planning in government as open and rigorous a process as possible and welcomes suggestions for how these processes might be improved in future. Both the PMSU and Foresight are enhancing the capacity of the centre to take a strategic approach. They put a strong emphasis on analytical rigour and an evidence-based approach to help ensure that government resources and energies are directed to strategic priorities and that decisions are based on consideration of the full range of options and the best possible available evidence.

There are a number of examples of this strategic approach in practice. For example, recently, the PMSU along with other parts of the Cabinet Office, other departments and No 10 has been supporting the Government's Policy Review,<sup>1</sup> which has been examining every major area of policy and will be informing the broad approach the Government will be taking across key policy areas for a decade to come.

The impact of PMSU's work on strategic issues can be measured in a number of ways sometimes specific policy changes result - for example in the redesign of the child support system<sup>2</sup> or the introduction of Individual Budgets for the elderly<sup>3</sup> and disabled.<sup>4</sup> In other cases the work of PMSU has helped to raise the profile of issues, or re-frame the way in which they are considered, for example the Government's approach to public service reform<sup>5</sup> and new ways of tackling social exclusion.<sup>6</sup>

Foresight has now completed a substantial body of cross-cutting science based futures projects that have had a direct impact on developing policy across Government. Current projects include: Tackling Obesities: Future Choices (sponsor DH), Sustainable Energy Management & the Built Environment (sponsor CLG); and Mental Capital & Wellbeing (sponsor DfES). An important recent contribution was the analytical work of Foresight's Horizon Scanning Centre in support of Treasury's guidance for CSR 2007, identifying eight potentially disruptive technology clusters to be taken into account by all Departments.<sup>7</sup> The place of horizon scanning in departmental planning is improving but the Government recognises more progress is needed and measures are in place to address this. These include OSI support to departments in developing their understanding and use of horizon scanning and the role of the Government Chief Scientific Adviser in monitoring and developing the use of scientific evidence in support of policy-making inside departments.

The Government's response to each of the conclusions and recommendations in the Committee's report is set out below.

http://www.cabinetoffice.gov.uk/policy%5Freview/. http://www.cabinetoffice.gov.uk/strategy/work\_areas/index.asp

http://www.dwp.gov.uk/childmaintenance/

http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\_4127453

http://www.cabinetoffice.gov.uk/strategy/downloads/work\_areas/disability/disability\_report/pdf/disability.pdf

http://www.cabinetoffice.gov.uk/strategy/work\_areas/index.asp

http://www.cabinetoffice.gov.uk/strategy/work\_areas/index.asp Long-term challenges and opportunities for the UK: analysis for the 2007 Comprehensive Spending Review, p.75-76". http://www.hm-treasury.gov.uk/spending\_review/spend\_csr07/spend\_csr07\_longterm.cfm

### THE PUBLIC ADMINISTRATION SELECT COMMITTEE'S CONCLUSIONS AND RECOMMENDATIONS AND THE GOVERNMENT'S RESPONSE

1. Governments have to find ways to overcome the political and practical difficulties associated with thinking about the future. Successive administrations have increased the capacity of government to undertake strategic thinking, which is now carried out more systematically than ever before. In particular, we commend the work of the Foresight Programme which is recognised as a world leader in its field. (Paragraph 30)

The Government welcomes the Committee's commendation of the Foresight programme.

The Government agrees that there are a range of potential barriers to thinking about the future, and has taken a number of steps to bring a more strategic approach to policymaking and to build strategic capability in central government departments, for which systematically taking account of future trends and scenarios is a key part. These steps include: the launching of the capability reviews which aim to assess and improve the strategic capability and other aspects of departments' performance; the creation of the Prime Minister's Strategy Unit and analogous teams and units across departments; the establishment of the Foresight Programme; the introduction of three year Spending Reviews; and making strategic thinking a core skill within Professional Skills for Government.

The Government has sought, through the Prime Minister's Strategy Unit and other means, to build better understanding of the benefits of bringing a more strategic approach to policymaking. These benefits include:

- better use of scarce resources because good strategy ought to lead to greater clarity about relative priorities and thus better decisions about resource allocation;
- improved capacity to deal with short term crises. This is a crucial insight. Short term crises will be better dealt with if longer term goals are clear;
- better policy outcomes. Greater clarity about goals, which is at the heart of good strategy, should allow a stronger focus on the best means of achieving those goals. Good strategy is also analytically rigorous and evidence based. The result should therefore be better policy outcomes.

Foresight produces challenging visions of the future, using the best available evidence. It uses a wide range of futures methodologies to inform current policy-making, strategic planning and priority-setting. It seeks to ensure that policies are more robust and resilient to shocks and challenges in the future.

Both the Prime Minister's Strategy Unit and the Foresight Programme are widely admired internationally and seen as world leaders in what they do.

# 2. It is inevitable that the PMSU will become involved in some policy issues as there is a close relationship between strategy, policy and delivery. But it is crucial that the PMSU is not diverted to current policy making and crisis management at the expense of its key strategic role. Strategy is its distinctive contribution to government. (Paragraph 36)

The Government agrees with this conclusion. One of the reasons the PMSU was created as a self-standing unit was to ensure its strategic role was not diverted by day to day issues or crisis management – though clearly there are various ways of achieving this. The Unit has therefore been able to focus on the important rather than the urgent and it has consistently had the capacity to tackle issues from first principles bringing an analytically rigorous and evidence based approach to bear across all its work. However, whilst the PMSU's distinctive contribution may need to be protected, it is important that the Unit can respond promptly and flexibly to new policy issues, where necessary, and that strategy work is not divorced from other aspects of policymaking, the allocation of resources or delivery. The Unit's work programme needs to be relevant, timely, high quality and carefully co-ordinated with other aspects of the Government's business if it is to be useful and successful. The governance arrangements for the Unit have therefore sought to ensure it is focused on the Government's priorities and its work programme aligned with, for example, that of the Prime Minister's Delivery Unit.

3. The PMSU should ensure that individual policy proposals are consistent with the broader direction of government and any strategies already agreed. Opportunities for joint approaches across departments should not be missed. (Paragraph 41)

4. Departmental ministers should be involved in the work of the PMSU, as they are in the work of the Foresight Programme. This would increase the relevance and effectiveness of such strategic work, and ensure that departments engage with its results. (Paragraph 46)

The Government agrees with these conclusions and recommendations. Mapping what strategies or individual policies are already in place and ensuring overall coherence and consistency is a key part of every project or piece of work the PMSU does. Whilst some of the PMSU's work has inevitably taken the form of confidential advice and analysis to the Prime Minister, the great majority of its work is in fact undertaken closely, often jointly, with other departments. Indeed, in some cases PMSU teams are physically colocated in the departments they are working with as part of securing a joint approach and successful implementation of the work's conclusions.

Departmental Ministers are closely involved in all of the Unit's work. For example, the PMSU has worked with departmental Ministers on the energy review, summary powers, criminal asset recovery, social exclusion and reform of child support.<sup>8</sup>

5. One way of ensuring that the civil service has the right skills for strategic thinking is to recruit from a wide range of backgrounds. Outsiders may also provide a useful challenge to existing views. However, the civil service must itself develop and encourage a culture in which it is normal to think strategically. The new National School of Government runs a number of courses on strategic thinking. This is also now a core skill for those aspiring to the senior civil service. We welcome these developments. (Paragraph 50)

The Government supports this conclusion. It agrees that access to skills in strategic thinking will be improved if the PMSU and departmental strategy units are able to recruit staff from a variety of backgrounds. This is exactly what PMSU does. Its staff are a mix of civil servants on loan from other government departments, and civil servants on secondments or fixed term contracts from the private sector, academia, think-tanks, and overseas.

<sup>&</sup>lt;sup>8</sup> <u>http://www.cabinetoffice.gov.uk/strategy/work\_areas/index.asp</u>

There are, however, a number of ways of building strategic capability and spreading best practice in strategy work. Recruitment of staff from outside government is certainly one. But other approaches include: the interchange of staff between strategy units and other parts of government (the PMSU now has hundreds of alumni in different departments able to spread its methods and best practice); joint working (collaborative working between strategy units and other parts of the government machine is perhaps the most powerful way of spreading best practice); the preparation of guidance on the methods and tools of strategy work (such as the PMSU's Strategy Survival Guide<sup>9</sup>); and dissemination of good strategy work (for example, through the PMSU's web site at <u>www.cabinetoffice.gov.uk/strategy/</u>).

Similarly, Foresight has worked closely with several government departments, with staff frequently being seconded into project teams. The appetite for the Foresight approach is evident in the increased demand from departments to work with the Programme.

There is clearly also a role for training. As the Committee notes, the National School of Government is now the centre of excellence for learning and development in support of the strategic business priorities of Government. Professional Skills for Government (PSG) includes strategic leadership and strategic thinking as core skills.

As a result, demand for training in this area is strengthening. The National School of Government's strategy courses for those aspiring to the Senior Civil Service are running regularly and at maximum numbers. At more senior levels, departments are increasingly asking the National School of Government for consultancy support, or to tailor training for them on focussed strategic issues. This is proving very successful. The National School of Government is continuing to expand its capability to meet this rising demand.

In addition, the National School of Government has developed close relations on strategy work with the Office of Science and Innovation's Foresight team and Horizon Scanning Centre. It is working with them on a range of programmes and case study material, in support of improved strategic thinking at cross-departmental level. In particular, the Foresight Horizon Scanning Centre is helping the National School of Government to integrate horizon scanning and strategic futures concepts where appropriate in their PSG training (for example in "strategic thinking" and "analysis & use of evidence" training).

6. We welcome the introduction of the Capability Reviews and are pleased that they include consideration of strategy. Once all the Reviews are completed, the Government should use their findings to conduct an assessment of the state of strategic thinking across Whitehall. The PMSU and the National School of Government should then work together to ensure that suitable training and resources are available. (Paragraph 55)

The Government notes this recommendation. Although the Capability Reviews are being conducted on a department by department basis, various common themes and issues have already been identified.<sup>10</sup>

<sup>&</sup>lt;sup>9</sup> <u>http://www.cabinetoffice.gov.uk/strategy/survivalguide/index.asp</u>

<sup>&</sup>lt;sup>10</sup> http://www.civilservice.gov.uk/reform/capability\_reviews/index.asp

In response to this, the Capability Review team has committed to produce an update that sets out an assessment of each Department's progress against their areas for action one year on from their capability review. Where strategy has been identified as an area for action at a departmental level, how this is being tackled will be covered. The annual update will also report progress in tackling the cross cutting issues identified by the programme as a whole. This will include progress in better translating strategy into delivery. The March 2007 report noted "excellent practice in setting direction and developing outcome focused strategy, but poorer performance on translating this consistently into delivery". (Capability Reviews, Tranche 3 findings and common themes, page 44.)

As noted above, the SU has been active in various ways in helping to build departmental capability, as has the National School of Government. The NSG's virtual academy, the Sunningdale Institute, has been commissioned by the Civil Service Steering Board to undertake an evaluation of the Capability Review programme which will inform its future direction. The Evaluation team consists of four Sunningdale Institute Fellows who are professors from universities and business schools and the National School's Head of Strategic Capability.

Government Skills, the Sector Skills Council for central Government, is assessing the key skills issues emerging from Capability Review reports and Departments' linked action plans. It will also be analysing key skills issues identified in Departments' skills strategies (which reflect Capability Review findings). Any skills issues around strategic thinking which are identified as part of this process can then be addressed strategically.

## 7. We welcome the changes introduced by the Cabinet Secretary to encourage a more corporate approach to address the challenges that government faces. We will review his initiative as part of our regular scrutiny of the Cabinet Office. (Paragraph 57)

The Government notes this conclusion. As has been the case in the past, the Cabinet Secretary, when giving evidence, has been asked questions covering a broad range of subjects. In addition, Cabinet Office Ministers when appearing before the Committee, which they have done on a regular basis, have given evidence either on the role of the Cabinet Office as a whole, or in relation to specific inquiries.

8. Future-related reports and recommendations which have resonance with the public and Parliament are likely to be followed up. But this should not be a matter of chance. Different monitoring and follow-up processes will be appropriate for different types of project or review. As a minimum, the Government should clearly respond to each review's recommendations. It should also explain how it will monitor the implementation of recommendations it has accepted. (Paragraph 62)

The Government agrees with the Committee that different monitoring and follow-up processes will be appropriate for different types of project or review. The Government always aims to be as open and transparent as possible in monitoring and following-up recommendations from future-related reports. In the case of the PMSU, the Unit's work may:

 form an integral part of statements of future government policy e.g. the October 2005 schools reform White Paper;<sup>11</sup>

<sup>&</sup>lt;sup>11</sup> http://www.dfes.gov.uk/publications/schoolswhitepaper/

- lead to the creation of new machinery to implement changes. For example, a key recommendation of the PMSU's report on disability<sup>12</sup> published in January 2005, was the creation of an Office for Disability Issues in DWP. This Office now acts as the focal point within government for the coordination of disability policy and has reported regularly on progress against all the PMSU's recommendations;
- prompt an early Government response. The PMSU worked with DWP on Sir David Henshaw's review of the child support system published in July 2006.<sup>13</sup> The Government formally responded to this review shortly afterwards,<sup>14</sup> and the child maintenance redesign White Paper followed in December 2006.<sup>15</sup>

Foresight projects are reviewed one and three years after their launch, to assess the impact that they have had and report on continuing actions. The first review takes the form of a report to a reconvened High Level Stakeholder Group, under a Ministerial chair. The group reviews actions against the plan that was published at the time of the launch of the project's findings. Increased resources have recently been devoted to the follow up of launched projects to ensure effective stakeholder engagement and to foster action plans.

### 9. In some circumstances, simply conducting research and setting out the evidence creates a compelling case for policy change. (Paragraph 66)

The Government agrees with this conclusion. The experience of the PMSU and Foresight is that clear, rigorous and compelling analysis of a problem and its causes is crucial not only to identifying the preferred solutions but to building common ground with key stakeholders and the public that action needs to be taken. This is why the PMSU and Foresight place such emphasis on analytical rigour in their work and why they have taken a very open approach to their work (most of which can be found on their web sites at <u>www.cabinetoffice.gov.uk/strategy/</u>, and <u>www.foresight.gov.uk</u>).

### 10. Future thinking is an uncertain business. Strategies should be kept under review so that they take account of new information and developments in research. Willingness to adjust policy in light of new evidence or changing circumstances should be seen as a sign of strength, not of weakness. (Paragraph 70)

The Government agrees with this recommendation. Good strategy should have feedback loops that allow it to be refined and improved in the light of new information or changing circumstances.

The Government does its best to keep key strategies under review and to take account of new information. For example, work by DTI and the PMSU on the "Energy Review: The Energy Challenge", published in July 2006<sup>16</sup> built on the earlier 2002 Energy Review<sup>17</sup> but took place against a background of strengthening evidence on the nature and extent of climate change, crucial changes in world energy markets and increasing concerns about the future security of UK energy supplies. It was recognised that the context in which energy policy operates had changed significantly and, in light of this, that energy policies needed to be adjusted accordingly.

 $<sup>^{12}\ \</sup>underline{http://www.cabinetoffice.gov.uk/strategy/downloads/work\_areas/disability/disability\_report/pdf/disability.pdf$ 

<sup>&</sup>lt;sup>13</sup> http://www.dwp.gov.uk/childmaintenance/henshaw\_report.asp

<sup>&</sup>lt;sup>14</sup> http://www.dwp.gov.uk/childmaintenance/gov\_response.asp

<sup>&</sup>lt;sup>15</sup> http://www.dwp.gov.uk/childmaintenance/csa\_report.pdf

<sup>&</sup>lt;sup>16</sup> http://www.dti.gov.uk/files/file31890.pdf

<sup>&</sup>lt;sup>17</sup> http://www.cabinetoffice.gov.uk/strategy/downloads/su/energy/TheEnergyReview.pdf

11. Evidence that there will be a problem in the future does not, in itself, build consensus around the appropriate solution. It is possible to have agreement that particular scenarios are more or less likely, but also fierce dispute over how governments should respond. The current controversy about the prospect of future road pricing is a clear illustration of this. Nonetheless it is important that there is discussion of the problems likely to arise in the long-term, even if there is no agreement on solutions. (Paragraph 72)

The Government agrees with this conclusion. However, there is a role for evidence and analysis not only in improving understanding of problems and their conclusions but in laying the ground for solutions. For example:

- case study evidence may be available from abroad on how other governments have gone about solving problems and, whilst of course caution is warranted in supposing that what is successful in one country can be transposed to another, there may nonetheless be invaluable lessons to learn;
- evaluation evidence on what works may be available from this country or overseas which may help to underpin a better informed debate about preferred policy options;
- cost-benefit analysis, cost-effectiveness analysis and other systematic approaches may contribute to better informed debates about solutions.

The Eddington report on transport,<sup>18</sup> the Stern review<sup>19</sup> of the economic aspects of climate change, and the Turner report on pensions<sup>20</sup> are all good examples of how rigorous analysis of potential policy solutions as well as problems can lead to better informed debates on the way forward.

12. The findings of an independent review can command more confidence than a government White Paper, but 'contracting-out' is not a panacea. Independent experts may get it wrong. Even if they produce well founded technical solutions, they may be unacceptable to the public. There will always be questions about the independence of experts chosen by government. Ultimately, reviews, commissions and advisers inform policy; they should not make it. (Paragraph 81)

The *Ministerial Code* explains that civil servants do not have a monopoly on policy advice: "Ministers have a duty to give fair consideration and due weight to informed and impartial advice from civil servants, as well as to other considerations and advice, in reaching policy decisions". In addition, the Code is clear about ministerial accountability and states that "Ministers are personally responsible for deciding how to act and conduct themselves in the light of the Code and for justifying their actions and conduct in Parliament."

<sup>&</sup>lt;sup>18</sup> <u>http://www.hm-treasury.gov.uk/media/39A/41/eddington\_execsum11206.pdf</u>

<sup>&</sup>lt;sup>19</sup> http://www.hm-treasury.gov.uk/independent\_reviews/stern\_review\_economics\_climate\_change/stern\_review\_report.cfm

<sup>&</sup>lt;sup>20</sup> http://www.pensionscommission.org.uk/publications/2005/annrep/main-report.pdf

13. This Government, in comparison with past administrations, is relatively open about its strategic thinking. We believe that the Government should publish background evidence and analysis on policy whenever possible. It should also be open about the process of future thinking in government. Not all futures work is intended to build public consensus, but openness about the process may help to establish the value of such work. Long-term thinking involves uncertainties and 'best case' judgements. When the Government decides to release speculative work, its purpose and limitations should be clearly indicated. (Paragraph 91)

The Government, does, wherever possible, publish background evidence and analysis on future thinking in Government. For example, the great majority of PMSU projects have led, or will lead, to published outputs of some form (available at www.cabinetoffice.gov.uk/strategy/). Some PMSU projects are fully public and culminate in published reports (including statements of future policy); some influence the direction of government policy rather than leading directly to published reports by the Unit; and occasionally work is private and results in confidential advice to the Prime Minister or Ministers. The status of the work is always made clear on its release, for example, whether it represents a statement of government policy, or is a consultation document etc.

All major reports from Foresight projects are published and publicised, including the reviews of science, futures analyses, scenarios, final reports and action plans. The Foresight process is open and participative, and aims to draw on a wide range of experience and expertise.

The Council for Science and Technology (CST) also provides an important and independent mechanism in support of openness on strategic issues over the longer term.

14. We recommend that the Government builds on the work carried out by the PMSU and the Foresight Programme and publishes a 'Report on the Future' once a Parliament as the basis for parliamentary and public discussion of the key strategic issues facing the country. (Paragraph 95)

15. The Liaison Committee should take evidence from the Prime Minister on the Government's 'Report on the Future' that we propose. (Paragraph 98)

The Government notes this suggestion. Much of the work of the Foresight Programme focuses on key strategic issues of national importance (for example, its projects on Tackling Obesities, Sustainable Energy and the Built Environment, Flooding and Coastal Defence, and Globalisation). A 'Report on the Future' would help to bring Foresight's distinctive contribution to key wider audiences.

However, in many ways, the PMSU's occasional Strategic Audits (produced in February 2005<sup>21</sup> and December 2003<sup>22</sup>), already serve this purpose and some PMSU work for the recent Policy Review has been of a similar nature.<sup>23</sup>

<sup>&</sup>lt;sup>21</sup> <u>http://www.cabinetoffice.gov.uk/strategy/downloads/work\_areas/strategic\_audit/strategic\_audit2.pdf</u>

<sup>&</sup>lt;sup>22</sup> http://www.cabinetoffice.gov.uk/strategy/downloads/work\_areas/strategic\_audit/strategic\_audit.pdf

<sup>&</sup>lt;sup>23</sup> http://www.cabinetoffice.gov.uk/strategy/work\_areas/index.asp

Both the Strategic Audits and other PMSU work of this kind have involved: taking stock of the progress made by the UK across a range of economic, social and other indicators; benchmarking of the UK against other countries; and analysing the future challenges and opportunities facing the UK. This work has in turn facilitated consideration of potential gaps in current strategies and policies and the key strategic choices facing the UK. Such work has provided a balanced and objective assessment to help establish a factual context for policy-making and wider discussion of exactly the kind the Committee envisage.

The Government believes that questions asked by the Liaison Committee are a matter for the Committee.

16. We support the creation of an equivalent to the Scottish Parliament's Futures Forum, where Parliamentarians can work with external bodies to inform themselves and stimulate debate. The Parliamentary Office of Science and Technology could be strengthened to enhance its work in this area. Together with our earlier recommendation for a regular 'Report on the Future', this would help ensure that Parliament as well as Government was well-equipped to consider long-term strategic issues. (Paragraph 103)

This is a matter for Parliament rather than the Government. The Government strongly supports the thinking behind it but notes that strategic thinking and a strategic approach to policy deliberation, including futures work, need to underpin all aspects of Parliament's business no less than they need to underpin the work of government departments. It would need to be careful therefore that a new forum was not seen as a substitute for the important work undertaken by Select Committees and others in Parliament.



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