



House of Commons
Public Administration Select
Committee

Leadership for the long term: Whitehall's capacity to address future challenges

Third Report of Session 2014–15

*Report, together with formal minutes relating
to the report*

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The Public Administration Select Committee

The Public Administration Select Committee (PASC) is appointed by the House of Commons to examine the reports of the Parliamentary Commissioner for Administration and the Health Service Commissioner for England, which are laid before this House, and matters in connection therewith, and to consider matters relating to the quality and standards of administration provided by civil service departments, and other matters relating to the civil service.

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Summary

The day-to-day too often crowds out preparation for the longer term and the unexpected. There are isolated instances of systematic and imaginative analysis of trends, risks and possibilities around Whitehall. There are also some policies which represent genuine efforts to confront long-term challenges on a cross-government basis, such as the Better Care Fund, which aims to improve the integration of health and social care services for older and disabled people. Whitehall is developing useful tools. The National Risk Register assesses probabilities like natural disasters and terrorist attacks. Whole of Government Accounts provide deeper understanding of matters such as the £2,893 billion long-term liabilities of Government. However, there is no comprehensive understanding across Government as a whole of the future risks and challenges facing the UK.

The most surprising and urgent gap we found was in HM Treasury. We have not seen sufficient evidence that it has absorbed a key lesson of the 2007-08 financial crash: how best to prepare for another financial crisis as a consequence of the interconnectedness of financial uncertainty with wider risks and uncertainties. The Treasury acknowledged to us that the UK remains exposed to the risk of another adverse global economic event, such as the impact of a crisis in the Eurozone, and that this could be on the same scale as the 2007-08 financial crash. London is a financial centre of the world economy, whose major institutions remain vulnerable and exposed. We welcome that the Treasury does contingency planning, and the Bank of England's role and structures have been strengthened. Yet financial and economic risks are not included in the Government's National Risk Register, so the Government does not consider these systemic risks alongside other, non-financial risks, such as pandemic flu and antimicrobial resistance, and different responsibilities and functions are divided between the Bank of England, Financial Conduct Authority and the Treasury. Market-wide exercises have been conducted to test resilience, but not on a comprehensive basis to address the risk of systemic financial collapse triggered by an unexpected event.

We recommend that the Treasury should undertake planning for a range of crisis scenarios, based on a broad range of forecasts, data sources and assumptions, and which may be triggered by non-financial as well as financial events. It should conduct desk-top exercises ("war games") involving the Bank of England and the Financial Conduct Authority to test institutional responses and systemic resilience. This should inform a wider programme of cross-government exercises to test policy resilience (financial, economic, political and strategic).

We recommend the Cabinet Office include systemic financial and economic risks in its National Risk Register; and ensure that lessons learned from this are synthesised into policy making and spending decisions. This is not just to ensure financial and systemic resilience. The Treasury lays claim to responsibility for economic growth. It accepts that "slow productivity growth" raises "massive issues" for the future, but does not yet seem to appreciate the role of Government in promoting new technology and innovation across the public sector and in the private sector, such as in reducing CO₂ emissions in transport, or leading the revolution in electrical energy storage. The Government must set out how it

will exploit all the available knowledge to counter this risk of “secular stagnation” in the economy by seeking out and exploiting opportunities to promote growth through innovation.

We welcome the establishment of the Cabinet Office’s horizon scanning programme team, but this five-person team is too small to gather, let alone synthesise, all the relevant understanding generated around Government. The Canadian equivalent, Policy Horizons Canada, has some 25 staff and draws on a large number of outside experts. The Government thus cannot identify, assess and synthesise this information and so advise ministers on how to address gaps or duplication in policy and plans made by government departments, or to resolve conflicts and generate a comprehensive view of the key policy risks and challenges. The failure to act quickly on the developing Ebola epidemic in West Africa is an example, costing thousands of lives and billions in aid. This failure was by no means unique to the UK but we found that the Chief Medical Officer and the Joint Intelligence Committee combined their understanding too late for timely action.

Horizon scanning and financial planning are disjointed. There is growing awareness of the need for coordination between horizon scanning and risk assessment, but not of the need for coordination between horizon scanning and public investment decisions. The capacity is needed to generate and implement cross-government financial plans, as opposed to merely collating departmental actions and calling them a plan. The new Chief Executive of the Civil Service points out that “normally, in the headquarters of a company”, his role and the Treasury’s responsibility for setting spending limits across government would be “in one headquarters”. Some, like the new think tank GovernUp, recommend major structural reform, and the creation of a new Office of Budget and Management, to be set up in the Cabinet Office. There is a clear requirement for new capacity to inform spending reviews and decisions about financial priorities. It must be capable of formulating and overseeing the implementation of cross-government financial plans. We recommend that the Government sets out how leadership of this work will be shared by the Chief Executive of the Civil Service and the Treasury, so that their work is integrated. It should be presented in the form of advice to Cabinet, its committees, and individual Ministers to inform decisions about spending, investment and policy.

Early in the next Parliament, the Government needs to set out how it will improve the machinery of government and better educate civil servants at all levels to think about systemic risk, risk management, uncertainty and future challenges. We recommend that senior civil servants’ career development includes a period with the Cabinet Office’s horizon scanning programme team, in order to understand its role, and long-term thinking, fresh ideas and challenge. This would provide the unit with much needed extra capacity. The capacity to analyse, assess and plan for the future should be used better to underpin far-reaching decisions on systemic issues such as infrastructure, technology, financial regulation, defence and security. This is vital not just to build resilience to unforeseen adverse events but also to increase the UK’s capability to exploit opportunities and innovation, which is necessary to remain competitive and viable. Parliament should follow-up and scrutinise progress on the quality and impact of this Whitehall capacity.

1 Introduction

1. The problem is well-rehearsed. Most policy making is short-termist, reactive and uncoordinated. While the Government rises to the occasion when faced with a crisis, equally vital but less pressing issues which require coordination across departments are not always addressed. These range from the failure to anticipate winter pressures on NHS beds, to the failure to prevent flooding, or failure to respond to the changing intentions of adversaries, leading to military conflict. There are a range of mechanisms for encouraging longer-term thinking which the Government could adopt, as Professor Jonathan Boston of the Victoria University of Wellington has set out.¹ They fall into four categories:

- i) changing who makes important decisions,
- ii) imposing formal constraints on decision-makers,
- iii) changing incentives, and
- iv) enhancing the capacity to make far-sighted decisions.

This Report focuses on the fourth category, particularly on the capacity of the Civil Service to give comprehensive and far-sighted advice to UK Government ministers, and the ability to implement policy. Future challenges confront all levels of Government from local councils to international institutions, but this Report focuses on the UK Government and Civil Service.

2. Our inquiry was prompted in part by the 2007-08 financial crisis (see Box 1). We have previously inquired into the strategic challenges facing the UK Government. In April 2012 we published *Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?* and before that in October 2010, *Who does UK National Strategy?*² Both reports concluded that to tackle the UK's complex, diverse and unpredictable domestic and global challenges, Government needs more capacity to support strategic leadership. There was little confidence that government policies were informed by a clear, coherent approach. *Governing the future*, published in 2007 by our predecessor Committee, also urged the Government to take a more coherent approach to strategic thinking.³

3. Written submissions and transcripts of our five oral evidence sessions are available on our website at www.parliament.uk/pasc. We are grateful to all those who gave evidence and to our Specialist Advisers, Dr Jamie MacIntosh of UCL and Dr Gillian Stamp, for their help with this inquiry.⁴

1 Jonathan Boston, *Governing for the Future: How to bring the long-term into short-term political focus*, Paper prepared for a seminar at the Centre for Environmental Policy, School of Public Affairs, American University, Washington D.C., November 2014.

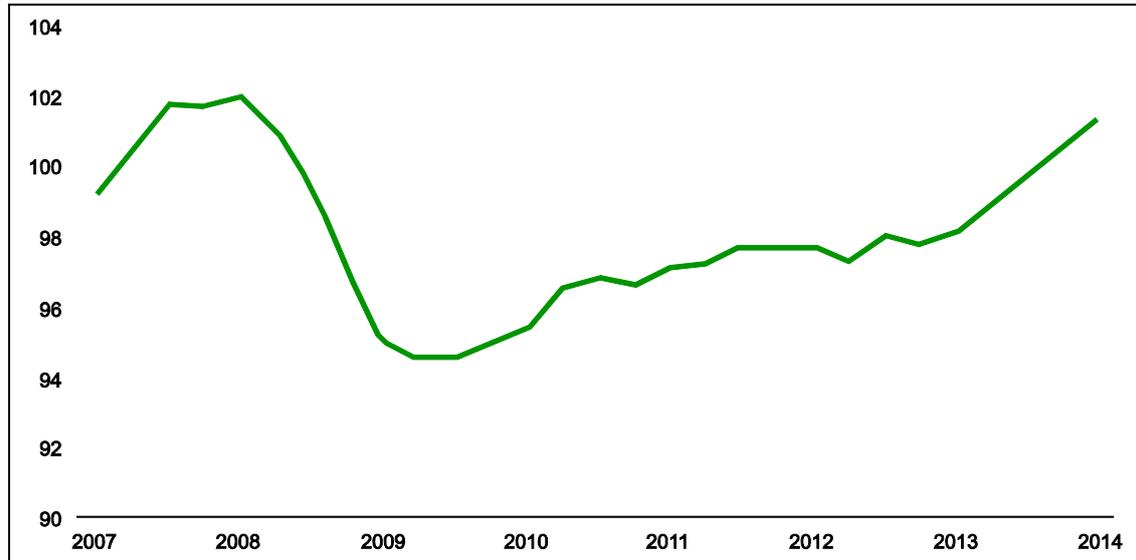
2 Public Administration Select Committee, Twenty-Fourth Report of Session 2010-12, *Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?*, HC 1625, April 2012 and Public Administration Select Committee, First Report of Session 2010-12, *Who does UK National Strategy?*, HC 435, October 2010

3 Public Administration Select Committee, Second Report of Session 2006-07, *Governing the future*, HC 123i, March 2007

4 Dr Jamie Macintosh, who is a Ministry of Defence employee on secondment as Director of the UCL Institute for Security and Resilience Studies, was appointed as a Specialist Adviser for this inquiry on 10 September 2014. He

Box 1: Financial crisis and aftermath

The financial crisis of 2007–2008 resulted in the threat of total collapse of large financial institutions, the bailout of banks by national Governments, and stock market downturns around the world. Andrew Haldane, Chief Economist at the Bank of England, said in 2012 that: “in terms of the loss of incomes and outputs, this is as bad as a world war. That is the scale we are talking about.”⁵

Real UK GDP, 2007–2014, index 2008=100⁶

A group of constitutional experts and economists wrote a letter to The Queen in November 2009 which contended that “the failure to foresee the timing, extent and severity of the crisis and to head it off ... was principally a failure of the collective imagination of many bright people, both in this country and internationally, to understand the risks to the system as a whole.”⁷

The Treasury published in March 2012 a review of its response to the global financial crisis.⁸ This records that as early as 2005 the principal forum for agreeing policy and coordinating action between the Treasury, the Bank of England and the Financial Services Authority, the standing committee on financial stability, identified the lack of a legislative basis to resolve failing banks. The review states that:

“Remedying this was not deemed to be a priority by the Treasury in the context of the benign financial climate. War games were played for the scenario of an individual institution failure but not for a system-wide crisis, which was judged to be highly improbable.”

declared the following interests: Member, Advisory Council of Royal United Services Institute (RUSI), First Division Association, and International Institute of Strategic Studies. Dr Gillian Stamp was appointed as a Specialist Adviser to the Committee on 22 December 2014. She declared no relevant interests.

5 [‘Bank crisis impact bad as world war, Andrew Haldane says’](#), *BBC News*, 3 December 2012

6 [Office for National Statistics](#), June 2014

7 [Press release, British Academy](#), 22 July 2009, including text of letter

8 HM Treasury, [Review of HM Treasury’s management response to the financial crisis](#), March 2012

Limitations in government capacity

4. Our inquiry explored the problems and tensions which apply to policy making in the present and as Governments try to plan for the future (see Table 1). They all arise from the attitude, behaviour and structure of Government.

Table 1: Tensions when Governments look ahead

Strong futures analysis capability in central Government	↔	Strong external analysis and challenge outside Government
Open publication of futures analysis	↔	Quiet influencing freed from political considerations
If analysis looks too far ahead it may be ignored	↔	If analysis does not look far enough ahead it may be treated as business-as-usual
Stewardship role of the Civil Service, looking beyond the next election	↔	Strong ministerial leadership today
Specialist leadership may be able to think deeply about particular challenges and opportunities, but may lose the broader view	↔	Generalist leadership may be able to see the broader view but may be uninformed on particular challenges and opportunities
The centre of Government is able to take a long-term view and challenge departmental thinking	↔	Departments have practical experience and in-depth knowledge
Those who fail to learn from history are doomed to repeat it	↔	Those who do learn from history might learn how to refight the last war, not the next

Short and inconsistent time horizons

5. There is long-term thinking in Government, but the evidence is that the short-term dominates.⁹ There is more reward for ministers and civil servants in 'rising to the occasion' than in preventing such occasions from arising in the first place, so that analysis and action are skewed to the short-term, argues the School of International Futures, a consultancy.¹⁰

6. It is an additional challenge for Ministers and senior officials to find time to engage with issues that might not have an impact for anything up to 50 years, if at all.¹¹ HM Treasury

9 For example, Institute of Risk Management ([WFC2](#)), Institute for Government ([WFC10](#)), School of International Futures ([WFC11](#))

10 School of International Futures ([WFC11](#))

11 Cabinet Office, [Review of cross-government horizon scanning](#), January 2013

Permanent Secretary Sir Nicholas Macpherson was our only witness who argued to the contrary. He told us successive Governments had taken long-term decisions on pensions and the age of retirement with “virtually no consequences in the short run” but “very big long-term financial consequences.”¹² It is true that Adair Turner’s Pensions Commission (2002-06) was identified by the Institute for Government as a policy making success story.¹³ However, the sustainability of pensions policy had been the subject of criticism for many years by Select Committees.¹⁴

7. The time horizons adopted by different departments vary widely, as was shown by evidence to our inquiry on *Strategic thinking in Government*. Speaking in December 2011, former Special Adviser Matt Cavanagh cited policy on Afghanistan: the Department for International Development were working to a ten year time horizon, the Ministry of Defence were operating on a six month time scale, matching six month tours of operation, and the Foreign and Commonwealth Office on what felt to him like a one week time scale.¹⁵ The Rt Hon Francis Maude MP, Minister for the Cabinet Office, told us that there was no particular future date the Civil Service should look to as it plans its future capacity and capability. He explained:

It depends on what you are talking about. In terms of leadership, we should be building the leadership for 40 years hence now. It is not too early now. In terms of digital skills, that will be over the next five years. Commercial is much more—there is no one-size-fits-all answer.¹⁶

Being reactive to events and crises, not proactive

8. The ability to pre-empt a crisis can save a Government from enormous financial and political consequences. However, many commentators see government inaction in the face of an impending problem, only to be followed by a feverish response that begins once the crisis hits.¹⁷ As Sir Nicholas Macpherson acknowledged in July 2014, “when projects fail or are running into difficulties, there is a huge amount of activity in the centre.”¹⁸ The Public Accounts Committee concluded in October 2014 that “the centre [of Government] is often reactive in its response rather than able to anticipate potentially serious problems.”¹⁹

9. The Prime Minister has acknowledged that the National Security Council has tended to focus on crises rather than longer-term challenges, but appeared sanguine about this:

12 Q 262

13 Institute for Government, [Pensions reform: The Pensions Commission \(2002-6\)](#), January 2012

14 For example, Work and Pensions Committee, Third Report of Session 2002-03, [The future of UK pensions](#), HC 92-I [including HC 1302-i of Session 2001-02], April 2003

15 Public Administration Select Committee, Twenty-Fourth Report of Session 2010-12, [Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?](#), HC 1625, April 2012

16 Oral evidence taken on 15 December 2014, (2014-15), HC 112, Q 350

17 For example, former Special Adviser Dominic Cummings, [‘My essay on an ‘Odyssean’ Education’](#), October 2013

18 Oral evidence taken before the Public Accounts Committee on 7 July 2014, HC (2014-15) 107-i, Q 40

19 Public Accounts Committee, [The centre of government](#), Nineteenth Report of Session 2014-15, HC 107, July 2014

If the criticism is that urgent operational meetings [...] tend to crowd out more thematic discussions, I think that I would probably plead guilty. I think that it is inevitable that, when Governments have to prioritise and choose, they will talk about the most urgent things. I would say that we have spent more time on the operational emergencies than on blue-sky thinking.²⁰

10. Francis Maude MP told us that government horizon scanning has tended to focus more on threats than opportunities.²¹ However, the Government's Chief Scientific Adviser, Sir Mark Walport, has pressed for an emphasis on looking for opportunities: "innovation is essential if we are effectively and cost-effectively to futureproof our national infrastructure."²²

'Re-fighting the last war'

11. There is a risk that policy makers address past problems, not future challenges, as our government witnesses acknowledged. The Minister for Government Policy, the Rt Hon Oliver Letwin MP, in respect of H1N1 swine flu, told us "I think you should always try to learn from what happened last time. You also have to be very careful not to learn the wrong lessons from it and not to think that the future will also look like [...] the past".²³ Sir Nicholas Macpherson also shared this view:

Chair: What happens if the next financial crash is of a completely different type?

Sir Nicholas Macpherson: It is bound to be different. The risk at the moment is that we all spend our time re-fighting the last war.²⁴

Lack of coordination between government departments

12. We have previously identified the need for work across departments to help Government deal with current issues and react to future challenges.²⁵ Author and economist Wolfgang Michalski has provided a succinct summary of the problem of cross-cutting problems addressed in isolation by separate public bodies:

Most of the key problems faced by governments are horizontal and most of government responses are vertical.²⁶

20 Minutes of evidence taken before the Joint Committee on the National Security Strategy, [National Security Strategy](#), Q 1, HC 1040, January 2014

21 Oral evidence taken on 15 December 2014, (2014-15), HC 112, Q 352

22 Government Office for Science, [Innovation: managing risk, not avoiding it, Annual Report of the Government Chief Scientific Adviser](#), November 2014

23 Q 496

24 Q 225

25 Public Administration Select Committee, Twenty-Fourth Report of Session 2010-12, [Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?](#), HC 1625, April 2012

26 Quoted in Carnegie UK Trust, [The Enabling State: a discussion paper](#), December 2012

A number of our witnesses commented on the inter-connected nature of future challenges.²⁷ For example, the British Heart Foundation argues that public health prevention should not be the sole responsibility of the Department of Health, since a person's propensity to develop illnesses arises from interactions across Government, from habits learned at school, to the way cities are designed, to employers' responsibilities for workforce wellbeing.²⁸

13. The Government acknowledges this problem. As Sir Jeremy Heywood, then Cabinet Secretary and now also Head of the Civil Service put it in July 2014, "many Governments over many years have struggled with the issue of how to ensure that cross-departmental issues are taken forward with the same vigour as issues that fall to one Department."²⁹ Oliver Letwin also recognised "a persistent tendency [...] for people [...] not to talk sufficiently between Departments and share enough the knowledge which they have and the understandings which they have."³⁰

14. This problem affects longer-term thinking in Government. Sir Jeremy told us that "in many individual Departments there are pockets of people doing work on future thinking—horizon-scanning; strategic planning; whatever you want to call it—but [...] those people do not join up."³¹ The establishment of the Cabinet Office's horizon scanning programme team aims to address this problem. Jon Day, Chairman of the Joint Intelligence Committee, is one of the two senior civil servants to whom the unit's staff report.³² He told us that: "Each Department has its own horizon scanning policy development machinery" but "this work is stovepiped and inconsistent."³³ This results, said Professor Michael Clarke of the Royal United Services Institute, in "too many overlapping horizon scanning documents."³⁴

15. We prompted Jon Day and Professor Dame Sally Davies, the Government's Chief Medical Officer, to explain why there had been such a slow response to the threat posed by the 2014 Ebola outbreak in West Africa. Dame Sally said "there was slowness from everyone, including the WHO [World Health Organisation] and our international partners [...] what we expected to happen was the same as in the Democratic Republic of the Congo, where it starts in villages and they isolate it and contain it and it doesn't spread."³⁵ Dame Sally said the lesson is that the WHO needs reform, though later accepted that "we should have discussed it [Ebola] with the Joint Intelligence Committee".³⁶ We pressed Jon Day to explain why there had been such a slow response to the threat posed by

27 For example, Q 63 [Professor Dame Julia Slingo]

28 British Heart Foundation ([WFC13](#))

29 Q 76

30 Q 457

31 Q 406 and see also Academy of Social Sciences ([WFC4](#))

32 Q 121

33 Q 133

34 Q 69

35 Q 171-172

36 Q 174 and Q 178

the outbreak. He acknowledged that intelligence processes and analysis of health developments could have been better connected, and he said:

[The Joint Intelligence Committee has] a 'countries at risk of instability' process, which identified the countries we are talking about as potentially vulnerable to things like disease. What we have not done—this, I think, is a lesson we do need to learn—is to link in with what is happening on the health side³⁷

The result was that Ebola was not discussed in the Joint Intelligence Committee, COBR (Cabinet Office Briefing Room, which coordinates the Government's response in an emergency), or the National Security Council until 7 August 2014.³⁸ The outbreak was first reported in March 2014.³⁹

16. Numerous attempts have been made to improve cross-departmental working. Sir Jeremy rejected the criticism that cross-government working by civil servants did not equate to working for the Government as a whole: “if you pull together a group of civil servants and give them a cross-cutting task to work out, they are perfectly capable of working to that common task.”⁴⁰ Sir Nicholas told us the Treasury had “a role” to play in removing the obstacles to cross-government working.⁴¹

17. In 2007, the Scottish Government abolished the departmental structure, with head of department roles redefined around outcomes or functions rather than departments, reinforcing the idea of Government as a single organisation with a sole purpose and a single way of setting out and tracking progress towards desired outcomes, the ‘National Performance Framework’.⁴²

18. There are examples of good cross-government working. In evidence to the Joint Committee on the National Security Strategy in January 2014, the Prime Minister argued that the National Security Council is “a real success” in bringing together different departments’ perspectives, “making sure that the great fiefdoms of Whitehall—Defence, the Foreign Office, DfID—play together rather than separately.”⁴³ The Ministry of Defence’s report *Global Strategic Trends - Out to 2045*, was published in June 2014. Rear Admiral John Kingwell, Director of the Ministry of Defence’s Development, Concepts and Doctrine Centre, told us that this publication is “the best of class, best of its type [...] in the amount of cross-government work and workshops and engagement.”⁴⁴ We found this

37 Q 174

38 Q 180-182 [Campbell McCafferty].

39 ‘Ebola: mapping the outbreak’, *BBC News*, 25 February 2015

40 Q 415

41 Q 248

42 Carnegie UK Trust, *The Enabling State: a discussion paper*, December 2012 and David Chinn, Jonathan Dimson, Andrew Goodman and Ian Gleeson, GovernUp, *World Class Government*, February 2015

43 DfID is the Department for International Development. Minutes of evidence taken before the Joint Committee on the National Security Strategy, *National Security Strategy*, Q 1, HC 1040, January 2014

44 Q 141

work is internationally respected.⁴⁵ Campbell McCafferty, Director of the Cabinet Office's Civil Contingencies Secretariat, told us the report is used "to inform the work that we are doing in the national security risk assessment, which will inform the next national security strategy".⁴⁶

19. Major General Jonathan Shaw, former Assistant Chief of the Defence Staff 2009–2012, argued that counter-terrorism was another example of good cross-departmental working, thanks to effective leadership in the Office for Security and Counter-terrorism in the Home Office.⁴⁷ A large scale "civil defence preparedness event" called Exercise Watermark took place in March 2011 to test flood readiness, involving more than ten UK government departments.⁴⁸ The review team's report found it had "clearly demonstrated that England and Wales has the capability to respond to a severe, widespread flood emergency."⁴⁹

Weak centre of Government

20. Strategic capacity at the centre of Government (in the Cabinet Office and HM Treasury) provide a counterbalance to short-term thinking.⁵⁰ The Cabinet Office's headcount has increased since 2010 and it is seeking to influence a growing proportion of government spending, and we the Public Administration Select Committee, together with the Public Accounts Committee and the Institute for Government have repeatedly recommended a stronger centre of Government.⁵¹ Central units with a strategic remit have come and gone over the years. The Performance and Innovation Unit was established in 1998. This was succeeded in 2002 by the Prime Minister's Strategy Unit, which was dismantled in 2010. This left a gap in the capacity for identifying and analysing future challenges, in the eyes of the Institute for Government.⁵² The Government stated that the "central strategy role" is performed by the Cabinet Office Government Innovation Group, the Horizon Scanning Programme, the Number 10 Policy Unit and the Deputy Prime Minister's Research Unit.⁵³ However, Major General Shaw said Whitehall lacks a central strong secretariat "that creates government plans, as opposed to merely collating

45 Committee visit to North America, November 2014

46 Q 141

47 Q 216

48 Exercise Watermark Review Team, [Exercise Watermark Final Report](#), September 2011

49 As above

50 Institute for Government ([WFC10](#))

51 National Audit Office, '[The performance of the Cabinet Office 2013-14](#)', November 2014; Institute for Government, [Whitehall Monitor](#), 2014; Public Administration Select Committee, Twenty-Fourth Report of Session 2010-12, [Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?](#), HC 1625, April 2012; Public Administration Select Committee, Nineteenth Report of Session 2010-12, [Leadership of change: new arrangements for the roles of the Head of the Civil Service and the Cabinet Secretary](#), HC 1582, January 2012; Committee of Public Accounts, Nineteenth Report of 2014-15, [The centre of government](#), HC 107, October 2014; Institute for Government, [Centre Forward](#), July 2014

52 Institute for Government ([WFC10](#))

53 Letter from Sir Jeremy Heywood, John Manzoni, Nicholas Macpherson and Richard Heaton to Rt Hon Margaret Hodge MP, 25 November 2014, [Annex to Treasury Minute](#)

departmental actions, putting a ring around them and calling them a government plan, which is the sum of its individual parts.”⁵⁴

21. Voters expect governments to think longer term. Nearly three-quarters of adults polled in August 2014 for the Institute for Government said they would prefer politicians who are focused on the long term—even if that means making decisions more slowly—rather than politicians who prioritise quick action.⁵⁵

22. Change is a constant challenge. Governments cannot foresee all the changes and unexpected shocks that will come, so flexibility, resilience and imagination are essential. Plans must be adjusted in response to political and other developments, rather than fixed upon. The UK must have the capacity to take advantage of trends and shocks, so the Government must see them as opportunities, not just threats.

23. There are good examples of successful cross-government working, including the National Security Council in respect of crisis management, and counter-terrorism policy and planning. We also commend the Government for its intentions in introducing the Better Care Fund, which aims to improve integration between NHS services and social care services, addressing the pressure on the NHS caused by local government spending reductions.

24. These examples of far-sighted policy making demonstrate what is possible. The evidence, however, is that these are the exception. Officials strive to work together but tend to stay within their department boundaries. The UK Government could learn from the Scottish Government, for example, which has restructured so that policy is coordinated across the administration as a whole. We reiterate our conclusion in “Strategic thinking in Government” that the Cabinet Office must be given the means and the influence to act as an effective headquarters of Government or the failure of cross-departmental working will continue to create wasteful conflict. We commend the Cabinet Secretary and Treasury Permanent Secretary for their determination to improve this and we will keep the matter under review.

54 Q 249

55 Institute for Government, [A programme for effective government](#), September 2014

2 Known trends and drivers

25. A number of long-standing trends are apparent in the UK, some positive and some negative. This chapter describes these developments, which are at least partly understood, and which Government can plan for. A later chapter will consider less predictable risks and trends. But first, we will consider some of the obstacles to carrying out this planning and making use of this understanding: language, data and politics.

Definitions

26. We have explored a number of terms over the course of this inquiry. Some are well known but inconsistently used, and others can be obscure or cause confusion (see Table 2 and Table 3). Our predecessor Committee has previously concluded that distorted and confusing official language is damaging because it can prevent public understanding of policies.⁵⁶

Table 2: Potentially confusing terms

Term	meaning
'Stovepipes'	in isolation, bound by departmental jurisdictions
'Deliver'	carry out, implement
'Deep dive'	in-depth study
'Data packs'	data
'Lens'	perspective, point of view
'Evolution'	gradual change
'Transformation'	complete change
'To mainstream'	to make part of business as usual

27. The Science and Technology Select Committee concluded in *Government horizon scanning* that inconsistent use of the term horizon scanning had caused confusion.⁵⁷ The Committee considered the term 'futures analysis' a more accurate description of the range of activities undertaken by the Government under the banner of 'horizon scanning'.⁵⁸ Sir Jeremy Heywood told us most civil servants understood the expression 'horizon scanning'.⁵⁹

56 Public Administration Select Committee, First Report of Session 2009-10, [Bad Language: The Use and Abuse of Official Language](#), HC 17 [incorporating HC743i of Session 2008-09], November 2009

57 Science and Technology Committee, Ninth Report of Session 2013-14, [Government horizon scanning](#), HC 703, May 2014

58 As above

59 Q 405

Table 3: Definitions of terms used

Futures analysis	assessment and analysis of long-term issues and challenges in a policy area
Horizon scanning	
Foresight	assessment and analysis of the future of either a policy area or a scientific topic
Black swan	a black swan event is a rare, surprising event with a large impact
Strategy	a process of integrating ends, ways and means to meet policy objectives, or a course of action based on an assessment of the objectives, options, and available resources
Plan	a plan is a comprehensive proposal detailing who does what and when. A plan may be part of a strategy.
Planning	the act of generating a comprehensive proposal detailing who does what and when
Doctrine	guidance on how to think; a body of theory, methodology and practice (not policy)
Policy	a course of action or principle of action proposed or taken by an organisation. A policy is not the same as a plan.
Defence	the military assets and responses controlled by the Ministry of Defence
Security	a psychological state, where there is confidence that normal life can continue.
Systemic risk	the risk of a breakdown of an entire system rather than simply the failure of an individual part
Forecast	a prediction of the future, based on data and assumptions about influences
Radical uncertainty	is fundamental uncertainty about the future where the level of risk is unpredictable and uncontrollable

Other issues

Use and access of data

28. In order to look forward and exploit opportunities, it is essential to understand the direction of historic trends. However, evidence from former Financial Times journalist Norma Cohen, a specialist in demography, stated that access and use of these data are poor. In particular, she argued that central government economists are not using population trend data.⁶⁰ The Royal Statistical Society was also concerned that “much useful data still remains under-used in Whitehall departments, either because of a lack of awareness about its existence, or anxiety about data protection rules.”⁶¹ However, such data offer opportunities. For example, the use of NHS Hospital Episode Statistics could underpin large-scale clinical research, in order to make the UK an attractive destination for investment.⁶² We explored the potential of open data in our Report, *Statistics and open data*.⁶³

29. Sir Nicholas Macpherson, argued that some information needs to be kept secret, giving the hypothetical example of secret information on Ireland's intentions in the event of a

60 Norma Cohen ([WFC15](#))

61 Royal Statistical Society ([WFC18](#))

62 Sami Consulting Ltd ([WFC9](#))

63 Public Administration Select Committee, Tenth Report of Session 2013-14, [Statistics and open data](#), HC 564, March 2014

breakup of the Euro.⁶⁴ He said the risk would be that “people could then speculate against Irish bonds and make the event self-fulfilling.”⁶⁵ Professor Sarah Curtis of the Institute of Hazard, Risk and Resilience at Durham University confronted this dilemma:

It's very difficult to share information about the detailed structure of power grids and their potential vulnerability in the face of climate change. That's treated as secure information. However, on the other hand, how can you plan if you can't share this information?⁶⁶

We asked Jon Day how frank officials engaged in horizon scanning can be. He said there was no distinction between horizon scanning and other policy work: “the constraints are the same”.⁶⁷ We are not convinced by this given the unconventional, and potentially embarrassing possibilities officials engaged in horizon scanning must be free to analyse and assess.

Politics

30. As our predecessor Committee concluded in 2007, speculative work may carry political risks and bring few rewards.⁶⁸ Major General Jonathan Shaw argued that horizon scanning does not get the priority it deserves because “there is no political credit for solving problems that the public do not know about”.⁶⁹ Sir Mark Walport wrote that “there is flak from the public, media and opposition politicians when things go wrong, but little or no recognition when adversity is averted.”⁷⁰ In oral evidence for our previous inquiry *Strategic thinking in Government*, Geoff Mulgan of Nesta (a charity which promotes innovation) said he had been frustrated in the past at Treasury unwillingness to think through negative scenarios and run scenario exercises for fear that they might leak and be interpreted as meaning the Treasury thought the scenarios were going to happen.⁷¹

31. A ‘Market-wide Exercise’ programme began in 2004 to allow bodies including the Treasury and Bank of England and firms to test the resilience of their arrangements.⁷² The year before the financial crisis, one of the largest exercises dealt with pandemic flu.⁷³ The

64 Q 218

65 As above

66 Science & Technology Facilities Council, [Proceedings of the Conference Measuring the Resilience of Cities: The Role of Big Data](#), 25 October 2013

67 Q 199

68 Public Administration Select Committee, Second Report of Session 2006-07, [Governing the future](#), HC 123i, March 2007

69 Q 247

70 Government Office for Science, [Innovation: managing risk, not avoiding it, Annual Report of the Government Chief Scientific Adviser](#), November 2014

71 Public Administration Select Committee, Twenty-Fourth Report of Session 2010-12, [Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?](#), HC 1625, April 2012, Q 13

72 The Tripartite Standing Committee on Financial Stability, [Financial Sector Business Continuity Progress Report](#), October 2014

73 Financial Services Authority, [UK Financial Sector Market Wide Exercise 2006 Report](#), 2006

2008 exercise was postponed; when the exercise resumed in 2009 it considered flooding.⁷⁴ More recently cyber-security has become an annual theme.⁷⁵ Reviewing the programme in 2012, the organisers recommended more frequent and diverse testing exercises.⁷⁶

32. There is an opportunity for Parliament to host cross-party conversations about policies with an impact beyond the short term.⁷⁷ The Minister for Government Policy, the Rt Hon Oliver Letwin MP, told us having a cross-party consensus on the need for greater integration was useful for addressing the future challenge posed by health and social care.⁷⁸

33. The topics covered by horizon scanning are constrained by government policy. In respect of preparation for the outcome of the Scottish independence referendum of September 2014, we had the following exchange with the Cabinet Secretary:

Cheryl Gillan MP: Would it be safe to assume that officials always look at possible future scenarios in order to protect the Government they are serving?

Sir Jeremy Heywood: No. In this case, it is very clear that we are not doing any contingency planning. I can say it as many times as you like. We are working for the Government on the Government's policy.

Chair: You have introduced horizon scanning at the Cabinet Office, but not for this.

Sir Jeremy Heywood: Not for this, no.⁷⁹

Government horizon scanning is influenced by government policy and ministerial discretion: observers have noted that foresight practices are aligning with the priorities of the Government.⁸⁰ The Science and Technology Select Committee reported in May 2014 that they were “extremely concerned” that Government horizon scanning was an echo chamber for government views, and not bringing in outside views.⁸¹

What is already known

34. There are a number of acknowledged trends and drivers of change which link to major long-term challenges and opportunities for Government (Table 4). These may be primarily social, technological, economic, environmental or political in nature, but have implications across all these domains. The report of the Oxford Martin Commission for Future

74 Financial Services Authority, [Market-wide Exercise 2009 Report](#), January 2010

75 Financial Services Authority, [Market-wide Exercise 2011 Report](#), February 2012

76 As above

77 School of International Futures ([WFC11](#))

78 Q 482

79 Q 101

80 Nesta, [Don't stop thinking about tomorrow](#), May 2013

81 Science and Technology Committee Ninth Report of Session 2013-14, [Government horizon scanning](#), HC 703, May 2014

Generations remarked that they “can be extremely positive, such as poverty reduction, the emergence of the internet, longer lifespans and the decline of great wars. They can also be negative, as is evidenced by growing inequality and the rising threats of both infectious and non-communicable diseases.”⁸²

35. The underlying drivers, common to many trends, include:

- Interconnectedness and interdependency;
- Centralisation and concentration of systems, populations and assets;
- Heightened mobility;
- Longevity; and
- Faster communication.⁸³

Table 4: Example trend and driver

Driver	Issue	Trend	Challenge	Opportunity
Longevity	Health and social care	Population ageing	How to reform and pay for public services to deal with a larger number of older people	Longer life brings the opportunity of a longer productive life, and better quality old age

36. In the next five years, a number of commentators believe the largest challenge facing the Government is fiscal—there is forecast to be one of the largest reductions in public spending ever envisaged in a developed country, GovernUp, a think tank, reported.⁸⁴ This challenge is about “how to deliver services to meet the public’s rising expectations at a time when, in the absence of significant economic growth, radical consolidation is needed to restore fiscal balance.”⁸⁵

37. The Treasury lays claim to responsibility for “growth of the economy”.⁸⁶ It also accepts that “slow productivity growth” raises “massive issues” for the future, but does not yet seem to appreciate the role of government in promoting new technology and innovation across the public sector and also in the private sector, such as in reducing CO₂ emissions in transport, or leading the revolution in electrical energy storage.⁸⁷ The government set out how it will exploit all the available knowledge to counter this risk of “secular stagnation” in

82 Oxford Martin Commission for Future Generations, [Now for the Long Term](#), October 2013

83 See for example John Tesh in Science & Technology Facilities Council, [Proceedings of the Conference Measuring the Resilience of Cities: The Role of Big Data](#), 25 October 2013

84 David Chinn, Jonathan Dimson, Andrew Goodman and Ian Gleeson, GovernUp, [World Class Government](#), February 2015

85 As above

86 Q 252

87 Q 214

the economy by seeking out and exploiting opportunities to promote growth through innovation.⁸⁸

38. Education levels will almost certainly continue to rise across the globe and for both genders over the coming thirty years, but educational inequalities will probably persist.⁸⁹ The globalisation of higher education will place additional demands on UK universities to ensure that Britain remains a world leader.⁹⁰ Former Special Adviser Dominic Cummings has suggested that the only way to address this challenge is for the UK to improve its education and training and to create new institutions to become “the best country for education and science [...] the school of the world.”⁹¹ He suggested that there is an opportunity for the UK to be “the school of the world” and adds “Who knows what would happen to a political culture if a party embraced education and science as its defining mission”.⁹² The Royal Statistical Society suggested the Government should commit to a 10-year strategic framework for science and innovation, raising the UK’s investment in Research and Development as a proportion of GDP from 1.7% to 2.9%.⁹³

39. The House of Lords Select Committee on Public Service and Demographic Change in May 2012 concluded that the Government and society are “woefully underprepared” for the UK population’s rapid ageing.⁹⁴ However “the changes do not mean a great economic or general fiscal crisis”, and “to make a success of these demographic shifts, major changes are needed in our attitudes to ageing” in terms of work, saving and use of housing capital.⁹⁵ The Chartered Institute for Public Finance and Accountancy (Cipfa) note that the ‘triple lock’ commitment (that the state pension will rise by the higher of earnings, prices or 2.5%) is a significant financial burden for Government; by 2019 around 16% of all government spending will be on the state pension.⁹⁶ Besides longevity, Norma Cohen identifies three other key demographic trends: falling fertility, urbanisation and immigration.⁹⁷

40. In a global context, the Ministry of Defence’s *Global Strategic Trends - Out to 2045* report, states that physical inactivity, unhealthy diets and increased life expectancy could lead to an obesity ‘epidemic’ as well as rises in non-communicable diseases such as dementia.⁹⁸

88 “Secular stagnation” can be defined as “a condition of negligible or no economic growth in a market-based economy”. [Financial Times lexicon](#), accessed 24 February 2015

89 Ministry of Defence, [Global Strategic Trends](#), July 2014

90 ‘[Global competition for international students is growing](#)’, *The Guardian*, 4 April 2014

91 ‘[Whitehall has failed. Tear it up and start again](#)’, *The Times*, 2 December 2014 and Dominic Cummings, ‘[My essay on an ‘Odyssean’ Education](#)’, October 2013

92 Dominic Cummings, [Some thoughts on education and political priorities](#), October 2013

93 Royal Statistical Society ([WFC18](#))

94 Select Committee on Public Service and Demographic Change, [Ready for Ageing?](#), Report of Session 2012–13, HL 140, March 2013

95 As above

96 Cipfa ([WFC16](#))

97 Norma Cohen ([WFC15](#))

98 Ministry of Defence, [Global Strategic Trends](#), July 2014

41. The Government has published a *UK Five Year Antimicrobial Resistance Strategy, 2013 to 2018*.⁹⁹ It stated that infections are increasingly developing that cannot be treated. The rapid spread of multi-drug resistant bacteria, it stated, means that it could become impossible to prevent or treat everyday infections or diseases. Coupled to this, the development pipeline for new antibiotics is at an all-time low.¹⁰⁰

42. The Government has committed to reducing UK greenhouse gas emissions by at least 80% by 2050, relative to 1990 levels.¹⁰¹ The Department for Energy and Climate Change stated that, if global emissions are not reduced, average summer temperatures in the south east of England are projected to rise by over 2°C by the 2040s, hotter than the 2003 heatwave which was connected to 2,000 extra deaths in the UK.¹⁰² Extreme weather events in the UK are likely to increase as temperatures rise, causing:

- heavier rainfall events—with increased risk of flooding;
- higher sea levels—with larger storm waves putting a strain on the UK's coastal defences; and
- more and longer-lasting heat waves.¹⁰³

43. The challenges the European Union faces in coming years have the capacity, some believe, to destroy or greatly weaken it.¹⁰⁴ The think tank the Centre for European Reform reported that it has become received wisdom that the chances of the UK remaining in the EU are no better than evens, and that it is not certain that the Euro will remain in its current form, with its current membership.¹⁰⁵ However, in June 2014 the Ministry of Defence's *Global Strategic Trends* report predicted that Europe is likely to remain a substantial part of the global economy, with the Euro and the single market still likely to exist by 2045, and European Union membership likely to expand.¹⁰⁶

44. The Public Accounts Committee recently concluded that the Department for Transport was taking a piecemeal approach to its major rail programmes, rather than taking a clear strategic approach by considering what would benefit the system as a whole and prioritising accordingly.¹⁰⁷ The Transport Select Committee has highlighted that the National Policy Statement on National Networks does not consider strategic road and rail projects—such as High Speed Two—together, as part of an integrated transport strategy.¹⁰⁸

99 Department for Health and Department for Environment, Food and Rural Affairs, [UK Five Year Antimicrobial Resistance Strategy 2013 to 2018](#), September 2013

100 As above

101 Department of Energy and Climate Change, [2050 Pathways](#), January 2013

102 Department of Energy and Climate Change, [Climate change explained](#), October 2014

103 As above

104 'Three challenges for Europe' in Centre for European Reform, [Annual report 2014](#), February 2015

105 As above

106 Ministry of Defence, [Global Strategic Trends](#), July 2014

107 Public Accounts Committee, Twenty-eighth Report of Session 2014-15, [Lessons from major rail infrastructure programmes](#), HC 709, January 2015

108 Transport Committee, Seventh Report of Session 2014-15, [Investing in the railway](#), HC 257, January 2015

A Cabinet subcommittee to examine infrastructure across Government was set up in 2012.¹⁰⁹ The Minister for Government Policy acknowledged that the National Infrastructure Plan, most recently revised in December 2014, still had “a long way yet to go”.¹¹⁰

45. The use of jargon in advice to ministers can obscure meaning, hide inaction and invite ridicule. Terms must be well understood for Government to be able to conduct coherent analysis and for officials to act accordingly. Jargon must not be used to lend a false legitimacy to otherwise ill-thought through ideas, concepts and policies.

46. Whitehall lacks discipline about how to think about ends, ways and means in part because people use different terms in different contexts. For example, for the Ministry of Defence, strategy is how you achieve policy aims. For many in the rest of Government, the reverse is true: they understand policy to be how you achieve strategy. In our review, strategy includes both: it is about how you choose your long-term objectives, and how you assess the ways and means of achieving them. Both require longer-term thinking.

47. Without a coherent understanding in the Civil Service of the trends and drivers of change, the Government will fail to develop associated opportunities, which depend on developing skills, educational opportunities, and investment in the UK's science and industrial base. This is the most effective way to improve productivity and innovation.

48. The Civil Service usually responds brilliantly to fast onset, short duration crises, with clear responsibility taken by a lead government department. This capability is tried and tested, both through exercises and real events. Market-wide exercises have been conducted to test resilience, but not on a comprehensive basis to address the risk of systemic financial collapse triggered by an unexpected event. Yet there is seldom an emergency that one government department can handle entirely on its own.

109 HM Treasury, [National Infrastructure Plan: update 2012](#), December 2012

110 Q 466

3 Current Government capacity

Who does what

49. A large number of high quality bodies and processes inside and outside Government influence thinking ahead and planning for known trends and unknown shocks. These include key activities such as public spending reviews which the Treasury carries out. It also publishes the Whole of Government Accounts. The Cabinet Office has oversight of some of the activities covered in this chapter, though they do not set out fully in their written evidence who does what.¹¹¹ We discuss:

- The National Risk Register;
- The Cabinet Office horizon scanning programme team;
- The Government Office for Science;
- Strategic Defence and Security Reviews;
- The Joint Intelligence Committee;
- The Civil Contingencies Secretariat;
- The National Security Council;
- The Development, Concepts and Doctrine Centre;
- Other government departments and networks;
- Public bodies and the wider public sector, including Parliament;
- Spending reviews; and
- Whole of Government Accounts.

National Risk Register

50. The Government's National Risk Register for Civil Emergencies, last published in July 2013, takes likelihood and impact into account, and considers the highest priority risks to be pandemic influenza, coastal flooding, catastrophic terrorist attacks, and severe volcanic eruptions abroad.¹¹²

51. Professor Dame Sally Davies explained to us how work to coordinate and check the risk register is carried out. She said that at least once a year, the chief scientific advisers sit down to look at and cross-check the risks. She explained that some risks, such as anti-microbial

111 Cabinet Office ([WFC12](#))

112 Cabinet Office, [National Risk Register of Civil Emergencies](#), 2013

resistance, appear on more than one department's risk register.¹¹³ Chief Scientific Advisers are working with the Civil Contingencies Secretariat to add anti-microbial resistance to the national risk register.¹¹⁴

52. The Government Chief Scientific Adviser was not consulted on the first National Risk Assessment, leaving the UK unprepared for the threat that materialised in 2010 over Icelandic volcanic ash, at substantial cost to the aviation industry, travellers and the economy.¹¹⁵ Scientific advice was subsequently included in the development of the register.¹¹⁶

Cabinet Office horizon scanning programme team

53. Since March 2014 a small joint Cabinet Office and Government Office for Science team of about five members of staff has run the Government's horizon scanning programme, reporting to Jon Day, Chairman of the Joint Intelligence Committee, and Sir Mark Walport, the Government's Chief Scientific Adviser. The Cabinet Secretary acts as the 'senior champion' for horizon scanning.¹¹⁷ The programme is overseen by the Minister for Government Policy, the Rt Hon Oliver Letwin MP, "who takes a close interest in the programme and actively engages with it."¹¹⁸

54. The unit acts as a centre of expertise for the rest of Government, and coordinates meetings which bring together civil servants from across Government and others to think ahead on particular themes and topics, for example, on emerging economies. The team works with the Civil Service Policy Profession to "expose and embed horizon scanning tools and techniques", tools such as a 'Futures Toolkit'.¹¹⁹ Though it aims to be as transparent as possible, not all its papers can be published, Oliver Letwin MP wrote.¹²⁰

55. Dr Claire Craig, Director of the Government Office for Science, has said that "it's easier to do horizon scanning than it is to get the people you want to listen to it, to listen to it".¹²¹ Professor Michael Clarke of the Royal United Services Institute expressed frustration to us that government horizon scanning does not reach as far as policy.¹²² As Jon Day's review of government horizon scanning found, it is rare for horizon scanning products to include

113 Q 132. (The Department of Health and the Department for Environment, Food and Rural Affairs)

114 As above

115 Jill Rutter in Centre for Science and Policy, [Future directions for scientific advice in Whitehall](#), April 2013

116 James Wilsdon and Robert Doubleday in Centre for Science and Policy, [Future directions for scientific advice in Whitehall](#), April 2013

117 Cabinet Office, [Horizon Scanning Programme Team](#), undated

118 Government Response to the Science and Technology Committee's Ninth Report of Session 2013-14, [Government horizon scanning](#), HC 592

119 Letter from Rt Hon Oliver Letwin MP to Andrew Miller MP, [House of Commons Science and Technology Committee Legacy Report - Parliament 2010-2015 - Government Horizon Scanning](#), 8 December 2014; Cabinet Office, [The Futures Toolkit: Tools for strategic futures for policy-makers and analysts](#), August 2014

120 As above

121 Speaking at Westminster Higher Education Forum Keynote Seminar: *Utilising academic research in policymaking - Horizon Scanning, trend analysis and engagement with academics and business*, 25 November 2014

122 Q 116

policy implications or an analysis of how the information presented could be used to inform decision making.¹²³ The Minister for Government Policy acknowledged the need for greater take-up of horizon scanning: “rather than putting that in some little unit somewhere, [...] we need to take it much further—what I believe in the jargon is called mainstreaming; i.e. putting this in the hands of the people who are really most important around Whitehall.”¹²⁴ Jon Day explained to us that horizon scanning has to “battle with the current agenda” and “there is not always a mechanism to get this information to Ministers.”¹²⁵

56. No data is held on the academic backgrounds of civil servants involved in horizon scanning.¹²⁶ Jon Day told us his impression and experience was that they are no more or less short-termist than other civil servants.¹²⁷ Written evidence by the Academy of Social Sciences states that there is no independent evidence about the effectiveness or value of Whitehall horizon scanning.¹²⁸ The equivalent capacity in the Canadian federal Government is organised somewhat differently (see Box 2).

Box 2: An example of central government horizon scanning capacity: Policy Horizons Canada

Policy Horizons Canada was set up by Janice Charette, the Clerk of the Privy Council, (Canadian equivalent to Cabinet Secretary) in 2011. This addressed the need for Deputy Ministers (equivalent to Permanent Secretaries) to be exposed to long-term thinking, fresh ideas and challenge. The organisation employs around 25 staff and relies on a large number of external experts. It is funded by the Department for Employment and Social Development but is governed by a committee made up of Deputy Ministers from across the Canadian federal Government. It produces outputs, largely unpublished, intended to inform and challenge the whole of Government. Its aim as the centre of foresight is not to build foresight units within departments, but to build capacity for long-term thinking among public servants. A number of officials in senior roles across the Canadian federal government have spent a period within Policy Horizons Canada, and therefore comprise the ‘community of strategists’ we called on the UK Government to develop in our report, *Who Does UK National Strategy?*¹²⁹

123 Cabinet Office, [Review of cross-government horizon scanning](#), January 2013

124 Q 465

125 Q 135-136

126 Chairman of the Joint Intelligence Committee ([WFC14](#))

127 Q 154

128 Academy of Social Sciences ([WFC4](#))

129 Public Administration Select Committee, First Report of Session 2010-12, [Who does UK National Strategy?](#), HC 435, October 2010

Government Office for Science

57. The Department for Business, Innovation and Skills houses the Government Office for Science, led by the Government's Chief Scientific Adviser, Sir Mark Walport.¹³⁰ Its 'Foresight' unit of about 15 staff, described as "long-established and much lauded" by the Science and Technology Select Committee, carries out in-depth studies "looking ahead 10-100 years on topics of national importance" and publishes reports, for example, on the future of manufacturing.¹³¹ Written evidence from the Cabinet Office stated that GO-Science, as it is known:

Ensures that government policies and decisions are informed by the best scientific evidence and strategic long-term thinking. Foresight projects use the latest scientific evidence and futures analysis to address complex issues and provide strategic options to inform decisions that need to be taken now, and over the longer term.¹³²

The Science and Technology Select Committee recommended in May 2014 that GO-Science should be moved into the Cabinet Office, to increase its cross-department influence.¹³³

Strategic Defence and Security Reviews

58. The Government published the outcome of the Strategic Defence and Security Review, *Securing Britain in an Age of Uncertainty*, in October 2010.¹³⁴ Previous reviews covered only defence, and the expansion to also cover security in 2010 was welcomed by the Defence Select Committee.¹³⁵ However, the Committee concluded there was a risk that immediate or short-term security issues and threats might dominate to the exclusion of longer-term defence assessments.¹³⁶ The review decided to fit two aircraft carriers to allow short take offs and vertical landing; shortly afterwards, in 2012, the decision was reversed. Sir Peter Luff MP, a former Defence Minister, has suggested that the 2010 decision was partly the result of rushed and inaccurate costing to accommodate a new Secretary of State's preferences.¹³⁷

130 Cabinet Office ([WFC12](#))

131 Department for Business, Innovation and Skills, [Foresight projects](#), October 2013 and Science and Technology Committee Ninth Report of Session 2013-14, [Government horizon scanning](#), HC 592, May 2014

132 Cabinet Office ([WFC12](#))

133 Science and Technology Committee Ninth Report of Session 2013-14, [Government horizon scanning](#), HC 703, May 2014

134 HM Government, [Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review](#), October 2010

135 Defence Committee, First Report of Session 2010-11, [The Strategic Defence and Security Review](#), HC 345, September 2010 and Defence Committee, Sixth Report of Session 2010-11, [The Strategic Defence and Security Review and the National Security Strategy](#), HC 761, August 2011

136 As above

137 Sir Peter Luff, [Decision Making in Defence Policy: Carriers Decisions](#), December 2014

59. The Defence Select Committee concluded in a 2012 Report that the review's decision to cancel the maritime patrol aircraft ('Nimrod') programme, a decision that was primarily financially driven, has weakened the UK's ability to undertake the military tasks envisaged by the review.¹³⁸ They were unconvinced that the Armed Forces could manage this capability gap within existing resources.¹³⁹ The Secretary of State for Defence, the Rt Hon Michael Fallon MP, has acknowledged weaknesses in the review, saying that "some things were not foreseen: the Arab spring, for example, the resurgence of Russia, the annexation of the Crimea and the interference in eastern Ukraine."¹⁴⁰ However, Oliver Letwin MP defended the 2010 review, telling us the conclusions it reached had "pretty well stood the test of time".¹⁴¹

60. The Institute for Government has identified rushed post-election spending reviews as a problem: "the 2010 spending review provided for aircraft carriers but not the planes to go with them, because it didn't allow time to complete a serious defence and security review".¹⁴² The majority of work on the review, it has been claimed, was conducted over a six-week period in summer 2010 with key people unavailable on holiday at times.¹⁴³ However, Oliver Letwin said he was "pretty intimately involved in the strategic defence review, and it continued throughout [summer 2010] pretty energetically".¹⁴⁴ Sir Nicholas Macpherson told us that "There is a risk that, if you try to do something that is of a scale of a strategic defence review to meet a very early public spending timetable, something is going to give."¹⁴⁵ However, when we asked Oliver Letwin he did not have any particular view about the time it should take to conduct the next review.¹⁴⁶

Joint Intelligence Committee

61. The Joint Intelligence Committee's role is to produce "objective, cross-departmental, all sources assessments, bringing together secret intelligence, diplomatic reporting and open source material."¹⁴⁷ It produces these assessments for current events but also looks ahead to identify potential risks, and to provide the Government with early warning, Cabinet Office written evidence claims.¹⁴⁸ The Committee's secretariat is the Joint Intelligence Organisation, based in the Cabinet Office (see Box 3).¹⁴⁹

138 Defence Select Committee, Fifth Report of Session 2012-13, [Future Maritime Surveillance](#), HC 110 [incorporating HC 1918-i of Session 2010-12], September 2012

139 As above

140 Minutes of evidence taken before the Defence Select Committee, [Future Force 2020](#), Q 333, HC512, December 2014

141 Q 487

142 Institute for Government, [A programme for effective government](#), September 2014

143 Roland Berger, [Whither defence? Preparing for the next SDSR](#), November 2014

144 Q 490

145 Q 279

146 Q 488

147 Cabinet Office ([WFC12](#))

148 As above

149 Cabinet Office, [National security and intelligence](#), undated

Box 3: Organisational chart***Civil Contingencies Secretariat***

62. Written evidence from the Cabinet Office stated that its Civil Contingencies Secretariat is responsible for improving the UK's ability to absorb, respond to and recover from emergencies.¹⁵⁰ It is part of the wider National Security Secretariat which employs about 200 people.¹⁵¹ The team assesses disruptive civil challenges to the UK in the short, medium and long term.¹⁵² Its unpublished National Risk Assessment informs the publicly available National Risk Register.¹⁵³

63. The UK is well-placed geographically, not having major fault lines, active volcanoes or an extreme climate. Perhaps helped in part by this, the work of the Secretariat is well regarded internationally.¹⁵⁴ Dame Deirdre Hines, former Chief Medical Officer for Wales, carried out a largely positive independent review of the UK response to the 2009 H1N1 swine flu pandemic. This “provided confirmation of the value of planning and preparedness” and “demonstrated that the four UK Governments can work together effectively and successfully to meet such an emergency”.¹⁵⁵

National Security Council

64. The National Security Council is now the Cabinet committee for collective discussion of the Government's objectives for national security. The Cabinet Office stated that it meets weekly and is chaired by the Prime Minister.¹⁵⁶ Witnesses to our previous inquiry *Who does UK National Strategy?* welcomed the establishment of the Council, but witnesses to our previous inquiry, *Strategic thinking in Government*, pressed for greater analytical

150 Cabinet Office ([WFC12](#))

151 Minutes of evidence taken before the Joint Committee on the National Security Strategy, [National Security Strategy](#), Q 12, HC1040, January 2014

152 As above

153 Q 132

154 Informal evidence gathered on Committee visit to North America, November 2014

155 Pandemic Flu Response Review Team/Cabinet Office, [The 2009 Influenza Pandemic](#), July 2010

156 Cabinet Office, [National Security Council](#), undated

support for the Council.¹⁵⁷ Former Special Adviser Matt Cavanagh recommended that “the Secretariat needs to be beefed up if [it] is really to play a role in terms of co-ordinating the different Departments”.¹⁵⁸ The National Security Secretariat coordinates security and intelligence issues across Government and leads work on National Security Strategy and the Strategic Defence and Security Review.¹⁵⁹ An update to the National Security Strategy is expected in 2015.¹⁶⁰

Development, Concepts and Doctrine Centre, Ministry of Defence

65. The Development, Concepts and Doctrine Centre describes itself as an internal think tank of the Ministry of Defence.¹⁶¹ The staff team of around 65 are drawn from the Army, Navy, Air Force and Civil Service.¹⁶² The Centre's origins can be traced to the 1998 strategic defence review, which recognised a need for a clearer long-term, joint vision of how the Government expects the armed forces to operate, but their work necessarily embraces the whole of Government.¹⁶³ The Cabinet Office's written evidence to this inquiry does not mention the Centre.¹⁶⁴

66. The Centre produces a range of strategies, reviews and plans, including publishing UK Defence Doctrine. This is not a set of beliefs or policies but guidance on how to think; a body of theory, methodology and practice.¹⁶⁵ The Cabinet Secretary has acknowledged that “the MoD and the security side of Whitehall do this [horizon scanning] better, in some ways, than the domestic, economic side of the Government”.¹⁶⁶ Professor Michael Clarke told us that the Centre does some very distinguished work in horizon scanning.¹⁶⁷

Other Government departments and networks

67. Individual departments' horizon scanning and foresight outputs are not always explicitly identified as such.¹⁶⁸ Examples include the Department for Energy and Climate Change's *2050 Pathways Calculator*, the Government's *Industrial Strategy* and the Department of Health's *UK Five Antimicrobial Resistance Strategy, 2013–2018*. Cabinet

157 Public Administration Select Committee, First Report of Session 2010-12, [Who does UK National Strategy?](#), HC 435, October 2010 and Public Administration Select Committee, Twenty-Fourth Report of Session 2010-12, [Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?](#), HC 1625, April 2012

158 Public Administration Select Committee, Twenty-Fourth Report of Session 2010-12, [Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?](#), HC 1625, April 2012

159 Cabinet Office, [National security and intelligence](#), undated

160 'Government advisers say don't release new national security strategy in 2015', *Civil Service World*, 21 October 2014

161 Ministry of Defence, [Development, Concepts and Doctrine Centre](#), undated

162 As above

163 As above

164 Cabinet Office ([WFC12](#))

165 Ministry of Defence, [UK Defence Doctrine](#), November 2014

166 Oral evidence taken on 24 May 2012, (2012-13), HC 113-i, Q 28

167 Q 116

168 Government Response to the Science and Technology Committee's Ninth Report of Session 2013-14, [Government horizon scanning](#), HC 592

Office written evidence to this inquiry does not set out a complete list of these activities, nor detail how the centre of Government oversees them.¹⁶⁹

68. Twenty five professional networks exist that civil servants with a particular expertise are able to join, such as the Government Economic Service.¹⁷⁰ These groups maintain professional standards, play a role in recruitment and develop guidance and resources for use across government departments.¹⁷¹

69. The Government set up a network of 'What Works Centres' in 2013, intended to improve the way Government creates, shares and uses evidence for decision-making.¹⁷² The Royal Statistical Society says "there should be further investment in investigating what policy works, including through the successful 'What Works' network. Money invested in the short-term to support good policy will ensure unnecessary costs and mistakes are avoided at a later date." The centres cover health and social care, educational achievement, crime reduction, early intervention, local economic growth, ageing and wellbeing.

70. The centres are:

- The National Institute for Health and Care Excellence (NICE);
- The Sutton Trust/Educational Endowment Foundation;
- The College of Policing;
- The Early Intervention Foundation;
- The LSE/Arup/Centre for Cities What Works Centre for Local Economic Growth;
- The Centre for Ageing Better; and
- The What Works Centre for Wellbeing.¹⁷³

There is a What Works National Adviser, David Halpern, who together with his team in the Cabinet Office supports the network.

Public bodies

71. Cabinet Office written evidence names the Office for Budget Responsibility, the Office for National Statistics and the Met Office as organisations outside central government which aim to provide expert, impartial advice and understanding of future trends.¹⁷⁴ Other bodies in the wider public sector, including universities and the Research Councils, also carry out this work.

169 Cabinet Office ([WFC12](#))

170 Civil Service, [Working for the Civil Service](#), undated

171 Minister for the Cabinet Office, [Capabilities and Skills in the Civil Service](#), October 2014

172 Cabinet Office, [What Works Network](#), June 2013

173 As above

174 Cabinet Office ([WFC12](#))

72. The Office for Budget Responsibility examines and reports publicly on the sustainability of the public finances and publishes an annual *Fiscal Sustainability Report*, assessing the long-term economic and fiscal impact of government decisions. The Office investigates the impact of trends and policies on the public finances through forecasting, projections up to fifty years ahead and balance sheet analysis.¹⁷⁵

73. The Met Office is a world-leading centre of expertise on weather and long-run climate modelling, the Cabinet Office's written evidence states.¹⁷⁶ Its Chief Scientist Professor Dame Julia Slingo told us that the Office has built a strong relationship with the Research Councils and leading universities, and so "when I am thinking about what Government need, I do not just look at what I have been contracted to do in the Met Office; I look at what I believe are the big science opportunities and where the innovation is in science that I can bring forward and operationalise into better services."¹⁷⁷

74. Universities can play a key role in advising the Government on potential threats, risks and other emerging issues by providing expertise and evidence for future policy decisions.¹⁷⁸ The precursor to what is today the Economic and Social Research Council was created to provide Government with imaginative thinking about social and economic possibilities.¹⁷⁹ Its strategic priorities to some extent reflect consensus about the problems facing state, society and economy in years to come, the Academy of Social Sciences wrote.¹⁸⁰

Parliament

75. Our predecessors recommended in 2007 that Parliament strengthen its capacity to think ahead and engage with outside experts and the wider public.¹⁸¹ The Parliamentary Office of Science and Technology is undertaking a programme of horizon scanning work looking at major trends in society, technology, the environment, education and politics.¹⁸²

76. The Finnish Parliament's Committee for the Future, established in 1993 and made permanent in 2000, aims to conduct dialogue with the Prime Minister's office and the government on long-term issues affecting the policies and work of the Government.¹⁸³ Following a general election, the Finnish Government is required to produce a 'Report on

175 As above

176 As above

177 Q 80

178 Russell Group of Universities, [Government horizon scanning](#), October 2013

179 Academy of Social Sciences ([WFC4](#))

180 As above

181 Public Administration Select Committee, Second Report of Session 2006-07, [Governing the future](#), HC 123i, March 2007

182 Parliamentary Office of Science and Technology, [Planned work](#), undated

183 Parliamentary Office of Science and Technology, [Futures and foresight](#), POST Note, May 2009

the Future'.¹⁸⁴ The Committee examines this report, forming the basis for Parliament's scrutiny of the Government during that Parliament.¹⁸⁵

77. Scotland's Futures Forum, a company limited by guarantee, was created by the Scottish Parliament in 2006 to help its Members think about future challenges and opportunities.¹⁸⁶ It publishes reports and organises events on topics including wellbeing, business succession and social finance.¹⁸⁷ It has a small staff overseen by a Board of Directors which includes MSPs.

Spending reviews

78. Spending reviews determine how funding is allocated between departments, looking forward one or more years. The Government stated in 2012 that the strategic goals and ambitions of the country should be the basis of spending review and budget processes.¹⁸⁸ Cipfa argue that spending decisions and commitments should be based on "long-term affordability, rather than short term electioneering."¹⁸⁹ To overcome the problems caused by departmental boundaries, Cipfa argued that the Government should set spending plans in terms of what needs to be jointly achieved. To achieve this, they suggest that central government budget setting and financial management should be reviewed to remove constraints on local service innovation and to make services more coordinated, based on evidence of outcomes.¹⁹⁰

79. There is an appetite for a spending review covering a whole Parliament. Sir Nicholas Macpherson told us that, "ideally", the next public spending review would set plans for the whole next Parliament. The Political and Constitutional Reform Select Committee recommended in July 2013 that spending reviews should reflect the same timetable as five-year fixed term Parliaments.¹⁹¹ The Institute for Government said that rushed reviews cause more problems later, and Cipfa call on the Government to allow departments the time to carry out reviews effectively.¹⁹² Polling commissioned for the Institute for Government found that 84% of adults in Great Britain agreed that it is important that politicians should take time to get the facts right when making spending decisions.¹⁹³ The

184 Committee for the Future, Parliament of Finland, [Presentation of the Committee](#), October 2014

185 As above

186 Parliamentary Office of Science and Technology, [Futures and foresight](#), POST Note, May 2009

187 <http://scotlandfutureforum.org/>

188 Government Response to the Twenty Fourth Report of the Public Administration Select Committee, [Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?](#), Session 2010-12, HC 1625

189 Cipfa ([WFC16](#))

190 Chartered Institute of Public Finance & Accountancy, [Cipfa Manifesto 2015](#), November 2014

191 Q 281 and Political and Constitutional Reform Committee, [The role and powers of the Prime Minister: The impact of the Fixed-term Parliaments Act 2011 on Government](#), Fourth Report of Session 2013-14, HC 440, July 2013

192 Institute for Government, [Preparing for the Next Spending Review A briefing note](#), September 2014 and Cipfa ([WFC16](#))

193 Institute for Government, [A programme for effective government](#), September 2014

2010 spending review, covering financial years 2011-12, 2012-13, 2013-14 and 2014-15, was published on 20 October 2010, five and a half months after the general election.¹⁹⁴

80. The School of International Futures suggests that the Treasury could have a powerful impact by using horizon scanning studies as part of the spending review process, by asking departments to demonstrate that their plans are robust in different future scenarios.¹⁹⁵

81. The Public Accounts Committee concluded that the 2010 spending review provided no incentives for departments to collaborate on cross-government issues.¹⁹⁶ When we asked Oliver Letwin MP who in Government is responsible for ensuring that spending plans are coherent across Government, he cited: a Department, the Treasury; a process, the spending review; and a Cabinet sub-committee, covering public expenditure.¹⁹⁷ Our evidence shows that there remain limitations in cross-departmental financial planning, for example, in respect of health and social care (see Box 4).

Box 4: The relationship between health care and social care

Care services tend to be fragmented, reflecting the professional and institutional boundaries of care providers such as the between the NHS and local government, rather than co-ordinated around the needs of the individual.¹⁹⁸ Performance is assessed against three 'outcomes frameworks' covering the NHS, public health, and social care separately.¹⁹⁹

Sir Nicholas Macpherson told us the relationship between the NHS and local authorities, which are responsible for social care, is "absolutely critical" because "you can squeeze one bit of the system, but the problem just re-emerges somewhere else."²⁰⁰

The Minister for Government Policy explained why progress has been very slow. He said it was "an almost unsolvable problem, because of the differences between local authorities and the centrally funded NHS. We are now breaking those barriers down [...] The difficulty is one of breaking down these bureaucratic barriers and finding ways of getting people to pool budgets and work together [...] It is much too late—we should have been doing it 20, 30 and 40 years ago—but at least it is now beginning."²⁰¹

The Better Care Fund, which will pool at least £3.8 billion from April 2015, aims to provide more coordinated local services to older and disabled people to care for them in the community, keep them out of hospital and avoid long hospital stays.²⁰² The National Audit

194 HM Treasury, *Spending Review 2010*, May 2013

195 School of International Futures ([WFC11](#))

196 Public Accounts Committee, Thirty-Fourth Report of Session 2012-13, *Managing Budgeting in Government*, HC 661, March 2013

197 Q 475

198 British Heart Foundation ([WFC13](#))

199 As above

200 Q 248

201 Q 482

202 National Audit Office, *Planning for the Better Care Fund*, HC 781, November 2014

Office found that the quality of early preparation and planning did not match the scale of this ambition.²⁰³ Oliver Letwin MP described progress on the fund as “very slow” because of what he describes as “an almost unsolvable problem”, the differences between local authorities and the NHS.²⁰⁴ He said “we are now breaking those barriers down.”

Whole of Government Accounts

82. Whole of Government Accounts are a consolidated set of financial statements for the UK public sector. They are “a kind of horizon scanning”, argued the Academy of Social Sciences.²⁰⁵ Sir Nicholas Macpherson welcomed them as: “one positive development in recent years” because they “force us to make provisions for nuclear decommissioning along with medical negligence. This has provided quite an important discipline to the Treasury.”²⁰⁶

83. The most recently published set of Whole of Government Accounts showed that the Government is liable for total future costs of £2,893 billion, including long-term liabilities of public sector pensions (£1,172 billion), nuclear de-commissioning (£69.8 billion) and the potential liabilities arising from litigation for medical negligence in the NHS (£26.1 billion).²⁰⁷ Other government liabilities are accounting provisions for the future costs that the public sector is not certain to incur but where the probability is greater than 50%. Contingent liabilities, reported separately, are costs that the public sector may incur in the future, but where the probability is less than 50%, such as clinical negligence claims that are less likely to succeed, and guarantees to underwrite debt for infrastructure projects such as Crossrail. These total £88 billion.²⁰⁸

84. The National Audit Office has qualified the Whole of Government Accounts every year since their introduction due to “significant continuing issues with the quality and consistency of the data included”. However, it reported: “as the Treasury now has more Whole of Government Accounts trend data, it is starting to highlight some of the longer-term risks on the balance sheet. They are beginning to use this information to help inform Government’s spending plans.”²⁰⁹ Cipfa advocate greater use of the Whole of Government Accounts as the foundation for fiscal and spending decisions:

The UK boasts one of the most complete sets of Whole of Government Accounts globally, including central and local Government as well as public

203 As above

204 Q 482

205 Academy of Social Sciences ([WFC4](#))

206 Q 254

207 [NHS Litigation Authority Report and Accounts 2013-14](#), p10 (public sector pensions), p26 (nuclear decommissioning) and p59 (medical negligence)

208 HM Treasury, [Whole of Government Accounts](#), June 2014

209 National Audit Office, [Whole of Government Accounts 2012-13](#), June 2014

corporations. We are therefore able to quantify our long-term commitments [...] and use this information to determine long-term affordability.²¹⁰

Limitations in government capacity

Limitations in financial planning and management

85. We previously concluded in our Report *Strategic thinking in Government* that the Budget process should improve the link between long-term objectives and specific budgetary measures.²¹¹

86. Sir Nicholas Macpherson assured us the Treasury is improving financial management: “We are going to have fewer economists and a few more strategic financial managers.”²¹² The Treasury’s review of financial management in Government, published 2013, concluded that, while financial management had been on an “improving trajectory” for many years, “concerted effort” was required to improve costing, financial management information and standards of management accounting.²¹³

87. John Manzoni, Chief Executive of the Civil Service, acknowledged:

Normally, in the headquarters of a company, it is the functionality that parts of the Treasury and Cabinet Office do. They would be in one headquarters. They are in two different places here in government.²¹⁴

Their separation “makes it slightly more complex” but he insisted “they can work across those boundaries.”²¹⁵ John Manzoni praised the good cooperative working between the Treasury and Cabinet Office and said “whatever the boxes and the structure are, we have to create a mode of working that is structure-agnostic”.²¹⁶

88. In a report published in February 2014, GovernUp, a think tank, proposed the establishment of a single centre of Government, an ‘Office of Budget and Management’, combining functions from the Treasury and Cabinet Office.²¹⁷ The United States federal government has an Office of Management and Budget to coordinate cross-government spending plans.²¹⁸ In Canada, the Treasury Board Secretariat plays a central role in government financial planning.²¹⁹ Similar arrangements are in place in other governments.

210 Cipfa ([WFC16](#))

211 Public Administration Select Committee, Twenty-Fourth Report of Session 2010-12, [Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?](#), HC 1625, April 2012

212 Q 291

213 HM Treasury, [Review of financial management in government](#), December 2013

214 Oral evidence taken on 14 January 2015, (2014-15), HC 922, Q 14

215 As above

216 Oral evidence taken on 14 January 2015, (2014-15), HC 922, Q 13

217 Martin Wheatley, [Repurposing Whitehall](#), GovernUp, 2015

218 Congressional Research Service, [Executive Budget Process: an overview](#), 2012, p2

219 Committee visit to North America, November 2014

Civil Service skills and training

89. The lack of a central training college for Whitehall is a gaping void, argued Major General Jonathan Shaw, and one which impedes cross-government working.²²⁰ He argued that a training college, a “national centre of Government execution” should be set up to ensure common language across politicians, civil servants and the military. The Institute for Risk Management argued that civil servants should have greater access to training on risk management.²²¹ Satisfaction among civil servants with the learning and development available to them is under 50%.²²² In part to address these concerns, in February 2015 GovernUp called for the introduction of a “proper programme of training and development for ministers before and during their time in office”.²²³ The Institute for Government’s Julian McCrae wrote in response: “I’m more convinced than ever that it is perfectly possible to help politicians become more effective ministers, and that there is a real appetite for such support among front-benchers.”²²⁴ The Armed Forces Parliamentary Scheme has for over twenty years offered members of the House of Commons, House of Lords and European Parliament experience of spending a number of days with the armed forces over the course of a year.²²⁵ We will be reporting on these matters soon on our inquiry into Civil Service Skills.

90. There is an impressive array of high quality long-term thinking and horizon scanning across Government. The Civil Contingencies Secretariat and Met Office provide an excellent public sector capability. We welcome the Parliamentary Office for Science and Technology’s work in this area, prompted by our previous recommendation. We also welcome the establishment of the Cabinet Office’s horizon scanning programme team and its aim to coordinate work between departments. However, this central resource is much too small. It needs the capacity and the authority to address gaps and duplications and to coordinate a comprehensive and coherent analysis of the risks and challenges facing the whole of Government.

91. We commend the development of the National Risk Register. It is a vital tool to enable and encourage thinking about better management of short and long term risks. Together with Whole of Government Accounts, which provides a deeper understanding of long term actual and potential financial liabilities, they set down the context which decision makers must consider. The challenge is to ensure that this information is used in advice to ministers, and not ignored.

92. The Development, Concepts and Doctrine Centre is generating world class horizon scanning which embraces the whole of Government. Though its work is used across Whitehall it is not even acknowledged by the Cabinet Office in their written evidence.

220 Q 223

221 Institute of Risk Management ([WFC2](#))

222 Cabinet Office, [Civil Service People Survey](#), November 2014

223 Martin Wheatley, [Repurposing Whitehall](#), GovernUp, 2015

224 Institute for Government, [Plenty of food for thought – but choose carefully from the menu](#), February 2015

225 Armed Forces Parliamentary Scheme, [www.af-ps.info](#), 2015

This shows that horizon scanning is still regarded as ancillary rather than central to the business of Government, and requires wider awareness of horizon scanning and changes in attitude.

93. Long-term thinking and the consideration of emerging trends need to be the driving force behind financial management and far more coordinated with public investment decisions. At present, horizon scanning has little impact on financial planning, though we commend the desire of the Cabinet Secretary, the Treasury Permanent Secretary and the Civil Service Chief Executive to address this problem.

94. Comprehensive Spending Reviews reflect the Treasury's legitimate preoccupation with setting spending limits department by department. But there is insufficient understanding of the cross-departmental effects of investment decisions, and a lack of capacity to create genuinely cross-government financial plans. The comment made by John Manzoni, Civil Service Chief Executive, that "normally, in the headquarters of a company, [...] parts of the Treasury and Cabinet Office [...] would be in one headquarters [...] which] makes it slightly more complex", shows that the present structure does not serve the interests of financial planning and management. Other governments including the federal governments of Canada and the United States have a single body to conduct financial planning. Some, like the think tank GovernUp, have recommended that functions from the Treasury and Cabinet Office should be combined in a new Office of Budget and Management. The present divide between the Treasury and Cabinet Office is a structural impediment to effective financial planning and management.

4 Known and unknown risks

95. Previous chapters of this Report have considered known trends and government capacity to plan ahead and deal with them. We now turn to how the Government addresses known risks, such as terrorism, and risks not yet envisaged. These are connected. Climate change is a known trend and the UK faces the known risk of associated extreme weather events, for example, but when they will occur is unknown. The unknown risks of the future could materialise to trigger events such as the collapse of a bank, or a larger, systemic collapse of the financial system.

Systemic risk

96. The advances of recent decades have attendant risks. Technological advances, for example, bring the risk of the accidental or deliberate misuse of technology. The possibility of such damaging consequences requires the machinery of Government to acquire a deep understanding of these dangers, as the Oxford Martin Commission for Future Generations concluded:

While the future is full of opportunity arising from the extraordinary advances of recent decades, it is also highly uncertain and characterised by growing systemic risks ²²⁶

A systemic risk is the risk of a breakdown of an entire system rather than simply the failure of individual parts. For example, “a threat to the internet increasingly means a threat to everything.”²²⁷ In a financial context, systemic risk is the risk of a cascading failure caused by the interdependent nature of the financial system, resulting in a severe economic downturn.²²⁸ Professor Ian Goldin, Director of the Oxford Martin School, has described systemic risk as a process to be managed, not a problem to be solved.²²⁹

Forecasting capacity

97. Forecasts are a tool used to try to anticipate possible futures. They are predictions based on current data and assumptions about future influences. Forecasts can be extrapolations of trends or simulations and more complex modelling of scenarios. Forecasts that are not fulfilled are not necessarily ‘wrong’. The Government’s Chief Medical Officer, Professor Dame Sally Davies, explained that “the modellers and infectious disease experts forecast that we will experience intermittent pandemics” and so a particular outbreak is not a failure of forecasting.²³⁰

226 Oxford Martin School, [Now for the Long Term: The Report of the Oxford Martin Commission for Future Generations](#), October 2013

227 World Economic Forum, [Global Risks 2014](#), January 2014

228 ‘[Systemic risk](#)’, London School of Economics Systemic Risk Centre, undated

229 Preface, *The Butterfly Defect*, 2014

230 Q 152

98. High-profile errors, such as those found in the model used to evaluate the bids in the West Coast mainline franchise competition in 2012, have prompted greater focus on the quality and accuracy of government forecasting.²³¹ In response, the Treasury commissioned the Macpherson review of the quality assurance of modelling in Government. There is no mention of systemic risk or horizon scanning in the review.²³² A National Audit Office report found that it did not focus on the systemic factors preventing good forecasting. The report found that a lack of connection between forecasts by analysts and budgeting by finance teams creates a risk of failure in how uncertainty is addressed.²³³ Sir Nicholas Macpherson told us that:

They are very good at forecasting in the good times, or indeed the bad times, if there is a steady trend. [...] What forecasters are generally very bad at is forecasting inflexion points.²³⁴

As Rear Admiral John Kingwell said, “identifying trends is not predicting the future”.²³⁵

99. Sir Nicholas argued that the establishment of the Office for Budget Responsibility was an improvement because it made the Treasury and Number 10 think *less* about possible futures. The OBR’s independent forecasts allow more concrete and less hypothetical discussion, he said:

Now we have to take the forecast as read, so there is far greater debate about the contents of a Budget.²³⁶

Culture of the Civil Service

100. A core role of the Civil Service is to look beyond single Parliaments so that civil servants can provide advice to the government of the day on the long-term underlying issues which affect the national interest. As Jon Day’s review of government horizon scanning put it, “it is a Civil Service responsibility to look beyond the parliamentary term.”²³⁷ However, the Civil Service values of impartiality, integrity, honesty and objectivity do not include any reference to the longer-term responsibilities of civil servants to ensure that advice to ministers provides appropriate challenge about the longer term.²³⁸ Some ministers have expressed suspicion about what might lie behind long-term thinking among civil servants. Francis Maude MP has said that: “the civil service aims not to serve the ‘long-term aims of the department’ but the priorities of the government of the day.”²³⁹

231 National Audit Office, [Forecasting in government to achieve value for money](#), HC 969, January 2014

232 HM Treasury, [Review of quality assurance of Government analytical models: Interim Report](#), December 2012, and HM Treasury, [Review of quality assurance of government models: final report](#), March 2013

233 As above

234 Q 205

235 Q 130

236 Q 210

237 Cabinet Office, [Review of cross-government horizon scanning](#), January 2013

238 Institute for Government, [Accountability at the top](#), December 2013

239 [Francis Maude attacks civil service over job document](#), *BBC News*, 7 July 2014

101. Our Report *Strategic thinking in Government* asked whether there should be a stronger, perhaps constitutional, role for the Civil Service in promoting the long-term national interest, to help counteract the negative, short-term pressures on ministers.²⁴⁰ The Government Response stated:

[Treasury guidance] Managing Public Money was extended in April 2011 to place a specific duty on Accounting Officers to establish that new policies are sustainable. [...] It also demands that the Accounting Officer consider whether the design of the policy is likely to be resilient to foreseeable developments and shocks.²⁴¹

102. The confidence to challenge orthodox thinking or established policy is of particular importance for civil servants engaged in horizon scanning, foresight and contingency planning. They must be able to challenge assumptions and conventional thinking on expected futures. However, Jon Day's review of government horizon scanning found that "there is a belief that horizon scanning is ignored when the strategic level is not open to challenge."²⁴² Trust is essential. We concluded in *Truth to power: how Civil Service reform can succeed*, that strong relationships between civil servants and ministers are based on shared understanding of purpose, mutual dependence, and openness and trust.²⁴³

103. Government acknowledges that collective leadership could be improved. The Civil Service Reform Progress Report (2014) stated that it was a priority to develop and improve the collective leadership of the Civil Service so that leaders have a shared vision.²⁴⁴ This, we heard, is achieved very well in some areas, such as counter-terrorism, where planning and implementation are effective. Major General Shaw said it is clear that in relation to counter-terrorism it is the Home Office which is in charge. This, he told us, empowers the Home Office and clarifies responsibility.²⁴⁵

Radical uncertainty

104. Many future challenges are unknown unknowns, as Rt Hon Oliver Letwin MP, Minister for Government Policy, recognised in his evidence to us: "we are frequently—and will continue to be, as human beings—taken by surprise."²⁴⁶ We have previously expressed concern that the increase of horizon scanning can give politicians and officials a false sense of security; that they are prepared for all eventualities.²⁴⁷ We recommended that the

240 Public Administration Select Committee, Twenty-Fourth Report of Session 2010-12, [Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?](#), HC 1625, April 2012

241 Government Response to the Twenty Fourth Report of the Public Administration Select Committee, [Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?](#), Session 2010-12, HC 1625

242 Cabinet Office, [Review of cross-government horizon scanning](#), January 2013

243 Public Administration Select Committee, Eighth Report of Session 2013-14, [Truth to power: how Civil Service reform can succeed](#), HC 74 [incorporating HC 664-i-x, Session 2012-13], paragraphs 76, 80, 121

244 Cabinet Office ([WFC12](#))

245 Q 216

246 Q 464

247 Public Administration Select Committee, Twenty-Fourth Report of Session 2010-12, [Strategic thinking in Government: without National Strategy, can viable Government strategy emerge?](#), HC 1625, April 2012

Government should not be afraid to acknowledge that uncertainty exists and to promote an open discussion about risk and uncertainty in policy-making.

105. The Government is better at dealing with known risks and trends than with uncertain possible risks and challenges. For example, the Government has set up a nanotechnology strategy forum (see Box 5), but future technological change may come instead from unforeseen developments. The Cabinet Secretary acknowledged to us that there had been less co-ordination, “and therefore more risk of things falling between cracks”, in the more uncertain areas.²⁴⁸ He explained that identifying any inconsistencies or gaps was the aim of the small horizon scanning programme team in the Cabinet Office. He took responsibility for the success of this work, saying one of his jobs was to think about the contents of the in-tray in 10 years' time, in order to “get ahead of these issues rather than just waiting for them to hit us in the face.”²⁴⁹ However, he denied responsibility when this task was put to him in a different way:

Chair: Who in the Government has overall responsibility for cross-departmental systemic risk and radical uncertainty?

Sir Jeremy Heywood: I do not think there is one person responsible for such a broad scope of things as that.²⁵⁰

Box 5: Nanotechnology

Nanotechnology is engineering at the 1 billionth of a metre scale, to create structures and devices.²⁵¹ Nanomaterials are used in sunscreens and computer chip transistors, for example.²⁵² The most anticipated applications are in healthcare: the tiny scale allows nanomaterials to pass through biological barriers without triggering the immune system. Due to the potential for major technological breakthroughs, nanomaterials have been identified as a key enabling technology. However, risks have been identified, such as possible environmental and health impacts. A nanotechnology strategy forum chaired by ministers in the Department for Business, Innovation and Skills and the Department for Environment, Food and Rural Affairs has met once a year since 2012 to promote discussion between Government and key stakeholders on the development of nanotechnology industries in the UK.²⁵³

106. The evidence we heard differed on the Government's record on horizon scanning. Rear Admiral Kingwell identified occasions when his work at the Ministry of Defence's Development, Concepts and Doctrine Centre had got it right:

248 Q 408

249 As above

250 Q 416

251 Royal Society, [Nanotechnology](#), undated

252 European Commission, [Research in nanosciences & technologies policy issues](#), undated

253 Gov.uk, [Nanotechnology Strategy Forum](#), undated

In 2001 we were stressing the future of autonomous and automatic systems on the battle space [... and] we highlighted the role of social media in undermining certain autocratic regimes.²⁵⁴

Dr Campbell McCafferty, Director of the Cabinet Office's Civil Contingencies Secretariat, also identified a horizon scanning success story in the field of civil contingencies. He contrasted the costs of the foot and mouth disease outbreak in 2007 to that in 2001. The costs of the later outbreak, he said, were much more contained.²⁵⁵ However, Major General Shaw disagreed:

I don't think we do have an impressive record on futurology. Black swans appear all over the place. The Arab Spring came out of a clear blue sky.²⁵⁶

We heard on our visit to Washington D.C. that governments should also concern themselves more with 'grey swans', which can be defined as future challenges you should have thought about, such as energy storage (see Box 6).²⁵⁷

Box 6: Energy storage

Energy storage technologies absorb energy and store it for a period of time, helping to manage variation in power generation, due to the weather (in the case of solar and wind energy) or events such as a power plant breaking down. These technologies include batteries and pumping water uphill for later release.²⁵⁸ The cost of storage, including large up-front costs, is the main obstacle to large-scale development of electricity storage. Uncertainty about how much storage will be needed in the future is another barrier to investment.

In the UK, only a small amount of electricity storage capacity has been built since the 1980s.²⁵⁹ There are a number of publicly funded electricity and heat storage development programmes, involving the Engineering and Physical Sciences Research Council, the Energy Technologies Institute, Ofgem, the Department of Energy and Climate Change, and Innovate UK. In 2013, public sector energy storage spending on research and development was £9 million.

There is high potential for a major breakthrough in this field, for example, using ammonia for energy storage and transportation, where scientific innovation could create a whole new market for the UK.²⁶⁰ The Government lists energy storage as one of eight 'great technologies' in which it expects the UK to become a global leader.²⁶¹

254 Q 130

255 Q 131

256 Q 233

257 Committee visit to North America, November 2014

258 Institution of Mechanical Engineers, [Energy Storage: The Missing Link in the UK's Energy Commitments](#), April 2014

259 House of Commons Library Standard Note, [Energy Storage R&D](#), July 2014

260 "Hydrogen Production from Ammonia using sodium amide" William I F David et al *Journal of the American Chemical Society*, 2 June 2014

HM Treasury

107. Financial risks such as a banking crisis are not included in the Government's National Risk Register, which is produced by the Cabinet Office's Civil Contingencies Secretariat.²⁶² The Treasury's business plan cites "reforming the regulatory framework for the financial sector to avoid future financial crises" as one of three Government priorities for the department.²⁶³ Sir Nicholas Macpherson disclaimed any responsibility for input into the register. When we asked why it does not contain anything about financial and economic emergencies, he replied:

You probably have to ask the people who produced the plan.²⁶⁴

108. Sir Nicholas's priorities and objectives for 2014/15 do not mention risk or horizon scanning or crisis planning or response.²⁶⁵ The Treasury's 2012 review of its response to the global financial crisis review recommended further progress on a number of issues, including horizon scanning:

The Treasury should [...] consider whether the UK has in place appropriate and proportionate 'horizon scanning' capabilities in relation to domestic and international financial stability so that the Government is best placed to spot, plan for and mitigate risks that might develop.²⁶⁶

109. A number of commentators have highlighted the possibility of high impact financial risks manifesting, such as the size of asset management firms compared to the size of the economies in which they operate. As the BBC's Robert Peston put it, "the decisions of just a few of them can cause boom or bust for entire economies."²⁶⁷ The Prudential Regulation Authority lists the principal risks to the UK banking system as including "potential sharp upward movements in long-term interest rates and credit spreads, current and potential stress in the euro area and the threat of cyber attack."²⁶⁸

110. Andrew Haldane, the Bank of England's Chief Economist, said in November 2014 that it was "too soon to tell whether any collective blind-spots remain. But compared with the pre-crisis period, the Bank today has two extra pairs of policy eyes", the Prudential Regulation Authority and the Financial Policy Committee.²⁶⁹ Joint meetings between the

261 Policy Exchange, [Tomorrow's World: Eight great technologies with David Willetts](#), 24 January 2013

262 Cabinet Office, [National Risk Register of Civil Emergencies](#), 2013

263 HM Treasury, [Business Plan 2012-2015](#), May 2012

264 Q 211

265 Cabinet Office, [Permanent Secretaries' objectives 2014 to 2015](#), July 2014

266 HM Treasury, [Review of HM Treasury's management response to the financial crisis](#), March 2012

267 ['The next financial crisis?'](#), BBC News, 2 July 2014

268 Foreword by the Chief Executive Andrew Bailey, [Prudential Regulation Authority Annual Report and Accounts 2014](#), June 2014

269 Bank of England, [Central bank psychology - speech by Andrew Haldane](#), November 2014

Bank's Monetary Policy Committee and these two, Andrew Haldane argued, "help strengthen the committees' peripheral vision and are a safeguard against groupthink."²⁷⁰

111. Sir Nicholas told us that the Treasury is not complacent. He rejected "the idea that the Treasury can have all these matters under control when there are so many forces at work that are so manifestly beyond our control."²⁷¹ Indeed: "There are massive risks like banks collapsing, but where the Treasury tends to get surprised is with the more peripheral things that it tends to think are all under control but then is appalled to find out it does not have under control at all."²⁷² To reassure us that he was not complacent, Sir Nicholas cited a standard, well understood risk—the failure of a bank:

We did a lot of analysis and contingency planning around the impact of a banking collapse on Britain. When one of the Cypriot banks got into difficulties, we basically put into practice that contingency plan. There are a lot of Cypriots living in this country and it worked pretty well.²⁷³

Sir Nicholas confirmed that the Treasury is the lead Government Department for managing financial and economic crises and said that "in the end, especially in a crisis, the really big issues come back to the Treasury."²⁷⁴

112. In April 2013 the Bank of England, not the Treasury, took on "enormous" new powers and responsibilities, including the responsibility for prudential regulation.²⁷⁵ The Prudential Regulation Authority, part of the Bank of England, regulates banks, building societies, credit unions, insurers and major investment firms, focusing on the harm that firms can cause to the stability of the UK financial system.²⁷⁶ It is the Bank of England, not the Treasury, which is now responsible for monetary, macro-prudential and micro-prudential policy.²⁷⁷

Resilience

113. Resilience is the capacity to recover from shocks. The practice of armies maintaining reserves is a form of resilience, and London has demonstrated resilience by surviving fire, war and pestilence. Professor Ian Goldin argues that 'just in time' management and supply chains lead to brittle rather than resilient systems.²⁷⁸ One solution is to avoid over-reliance on single processes, and competition policy has a role to play in reducing systemic risk by ensuring that no one firm is too big to fail.²⁷⁹ Resilience can also be increased through

270 As above

271 Q 217

272 Q 224

273 Q 227

274 Q 207, Q 235

275 Bank of England, [Prudential Regulation Authority Annual Report and Accounts 2014](#), June 2014

276 Bank of England, [Prudential Regulation Authority](#), undated

277 Bank of England, [Central bank psychology - speech by Andrew Haldane](#), November 2014

278 Ian Goldin and Mike Mariathan, *The Butterfly Defect*, 2014

279 As above

diversity, on company boards and in societies enriched through immigration.²⁸⁰ Professor Jonathan Boston of the Victoria University of Wellington has suggested that, in organisations, some level of redundancy is needed for resilience, in the form, for example, of flexible staff.²⁸¹

114. Given incomplete knowledge, one should consider what is not known and act in ways that take this into account. The Government Office for Science gave an example of this in its report on high impact but low probability risks. In the event of an earthquake, the height and damage from a resulting tsunami wave are uncertain. In respect of the 2011 meltdown at Fukushima Daiichi Nuclear Plant, which was triggered by a tsunami:

If the cooling systems for the fuel rods had failed to a passively safe mode of operation such as convective heat transfer to the adjacent Pacific then the system could have been much less vulnerable to what occurred.²⁸²

This is an example of designing a system to make it more resilient.

115. There are trade-offs to resilience which mean some level of risk must be tolerated.²⁸³ Jennifer Cole of the Royal United Services Institute explained that “making the London Underground network completely resilient to terrorist attacks of the kind carried out on 7 July 2005, for example, would require the introduction of security scanners for passengers and luggage [...] Measurements of resilience need to consider what is practical, as well as what is possible, to enable honesty about the points at which realistically practical measures are likely to fail.”²⁸⁴

116. Mark Carney, Governor of the Bank of England, intends that firms are able to fail without threatening the stability of the system as a whole: “firms should face the discipline of the market and consequences of their actions. We do not operate a zero failure regime.”²⁸⁵

117. A key conclusion of our predecessor Committee's Report, *Governing the future*, was that the Government's assessment of likely future challenges should be as open as possible, to enable counter views to be articulated, and ensure that debate is as wide as possible.²⁸⁶ The Government Office for Science published a review of High Impact Low Probability Risks, such as severe space weather, in 2012. The key over-arching factor in its recommendations was the need for the inclusion of external experts and readiness to consider unlikely risks.²⁸⁷ Yet contacts between Whitehall and outside sources of

280 As above

281 Committee visit to North America, November 2014

282 Government Office for Science, [Blackett Review of High Impact Low Probability Risks](#), January 2012

283 Science & Technology Facilities Council, [Proceedings of the Conference Measuring the Resilience of Cities: The Role of Big Data](#), 25 October 2013

284 As above

285 Foreword, [Prudential Regulation Authority Annual Report and Accounts 2014](#), June 2014

286 Public Administration Select Committee, Second Report of Session 2006-07, [Governing the future](#), HC 123i, March 2007

287 Government Office for Science, [Blackett Review of High Impact Low Probability Risks](#), January 2012

knowledge and analysis are inadequate, according to written evidence from the Academy of Social Sciences:

By its very nature, foresight is 'open book': it demands access to the widest sources. 'Blue skies' are unlikely to be imagined in closed rooms.²⁸⁸

118. A core role of the Civil Service is to look beyond single Parliaments to the long-term. Its leadership must look beyond managing and controlling risks we already understand to systemic risks and uncertainty. The Civil Service value of impartiality implies a responsibility to provide advice about the longer term. Civil servants should not block or subvert ministerial decisions, but they should ensure their advice reflects a frank and honest assessment of the impact of ministers' decisions on the long-term aims of Government.

119. The Treasury acknowledges 'massive risks like banks collapsing' but has not absorbed the key lesson of the 2007-08 financial crash on the interconnectedness of financial uncertainty with wider uncertainty. This leaves the UK exposed to the risk of another adverse event on the same scale as the 2007-08 financial crash. Financial and economic risks are ever present but not included in the National Risk Register. The Treasury does not therefore consider financial risks alongside other, non-financial risks, such as pandemic flu. The division of responsibilities has changed but the Treasury retains its overall accountability for financial crises.

120. Resilience depends on informed challenge and putting in place sufficient resources to provide a buffer of redundant capacity. This is harder to justify at times of austerity but it is all the more essential to plan carefully if cuts are being made. Independent advice is key given that group-think contributed to the financial crisis: 'challenge' is not about contesting the authority of ministers, it is robust information and advice to help ministers make their decisions. There is not enough challenge to Government horizon scanning, either from external views or from nurturing dissenting voices within the Civil Service.

288 Academy of Social Sciences ([WFC4](#))

5 Conclusion

121. We have reviewed the Government's capacity to analyse, assess and plan ahead. This is important both for known trends and risks, and for uncertain shocks and developments, sometimes termed 'black swans'. The press of day-to-day events too often crowds out the longer term and preparation for the unexpected. But this work is essential, as however well prepared the Government is for foreseen events, fundamental uncertainties and system-wide risks remain. These are systemic risk and radical uncertainty, and they arise from interconnectedness. They therefore require interconnected preparation. Yet all the evidence is that the preparation in Whitehall is not sufficiently connected: most of the key problems faced by Governments are horizontal and most government responses are vertical.

122. Policy short-sightedness can become endemic and too often goes unchallenged by the Civil Service. Civil servants offer advice to Ministers, who have the power and responsibility to make decisions about resources for the future. They must be supported to create systematic and imaginative analysis of trends, risks and possibilities—this is already happening in some places. Obstacles like inadequate skills, inconsistent use of language, jargon, mistrust and above all, a lack of cross-government working, must be addressed. It is the responsibility of those giving advice—including those outside Government—to ensure that their advice is heard.

123. At present horizon scanning has to battle with the current agenda and its insights do not always reach policy makers. The Government's assessment of likely future challenges should be as open as possible, to enable counter views to be articulated, and ensure that debate is as wide as possible. Otherwise, group-think will prevail and it will come as a surprise when expected futures do not materialise, leaving the UK unprepared to take advantage of future opportunities. Contacts between Whitehall and outside sources of knowledge and analysis are inadequate. By its nature, foresight demands access to the widest sources, not closed rooms.

6 Recommendations

124. The centre of government must strengthen its capacity for analysis and assessment of long-term issues and challenges. It should be capable of providing comprehensive advice to ministers based on this foresight and horizon scanning, as the basis for strategy and comprehensive cross-departmental financial planning. This capacity should inform spending reviews and decisions about financial priorities. It must be capable of formulating and overseeing the implementation of cross-government financial plans. The Government should set out how leadership of this work will be shared by the Chief Executive of the Civil Service and the Treasury, under the overall direction of the Cabinet Secretary and Head of the Civil Service, who should have overall responsibility for cross-departmental risk and radical uncertainty, so that this work is integrated. It should be presented in the form of advice to Cabinet, its committees and individual Ministers to inform decisions about spending and policy.

125. In order to demonstrate that the Treasury is fully prepared for another financial crisis as a consequence of the systemic risk arising from the interconnectedness of wider risks and uncertainties, the Treasury should:

- *Plan for a range of different crisis scenarios, based on a broad range of forecasts, data sources and assumptions, and which may be triggered by non-financial as well as financial events;*
- *Conduct desk-top simulated exercises (“war games”) involving the Bank of England, and the Financial Conduct Authority, to test institutional responses and systemic resilience. This should inform a wider programme of cross-government exercises to test policy resilience (financial, economic, political and strategic); and*
- *Ensure that lessons learned from the above are synthesised into policy making and spending decisions, not just to ensure financial and systemic resilience, but to counter the risk of ‘secular stagnation’ in the economy, by seeking out and exploiting opportunities to promote growth through innovation.*

126. The Cabinet Office, working with HM Treasury, should include systemic financial and economic risks in its National Risk Register.

127. The Cabinet Office horizon scanning programme team should be strengthened, to allow it to:

- *promote a stronger appetite in the Civil Service for the understanding of risk, uncertainty and the longer term;*
- *continue its efforts to encourage the use of systematic and imaginative analysis of trends, risks and possibilities in the Civil Service professions. In due course it should expand this work from targeting just the policy profession to all the Civil Service professions;*

- *find out what horizon scanning and foresight is going on across government and in public bodies, and report annually on the coherence and effectiveness of this work; and*
- *work with departments to ensure named individuals are responsible for the quality, quantity and application into policy of this work in each government department.*

We recommend that civil servants' career development should include a period with the team in order that they understand its role, and they are exposed to long-term thinking, fresh ideas and challenge, and able to think about systemic risk, risk management, uncertainty and future challenges. This would also provide the team with some much needed extra capacity.

128. All Government strategic planning documents must state how they are using the results of—not just conducting—horizon scanning.

129. The Treasury's next spending review must not be rushed, to allow time necessary for it to be based upon cross governmental analysis and assessment and so to address the cross-governmental impact. It should then be possible for the spending review to reflect other cross-departmental strategy and plans, such as the next Strategic Defence and Security Review and for opportunities in areas such as infrastructure and technology.

130. All Select Committees should inquire at least once per Parliament into government actions to analyse trends, risks and future challenges and opportunities relevant to their remit. We also recommend that in the next Parliament, our successor Committee should lead by example in this, and offer to take a coordinating role in respect of the parallel work of other Select Committees.

Conclusions and recommendations

Introduction

1. Change is a constant challenge. Governments cannot foresee all the changes and unexpected shocks that will come, so flexibility, resilience and imagination are essential. Plans must be adjusted in response to political and other developments, rather than fixed upon. The UK must have the capacity to take advantage of trends and shocks, so the Government must see them as opportunities, not just threats. (Paragraph 22)
2. There are good examples of successful cross-government working, including the National Security Council in respect of crisis management, and counter-terrorism policy and planning. We also commend the Government for its intentions in introducing the Better Care Fund, which aims to improve integration between NHS services and social care services, addressing the pressure on the NHS caused by local government spending reductions. (Paragraph 23)
3. These examples of far-sighted policy making demonstrate what is possible. The evidence, however, is that these are the exception. Officials strive to work together but tend to stay within their department boundaries. The UK Government could learn from the Scottish Government, for example, which has restructured so that policy is coordinated across the administration as a whole. We reiterate our conclusion in “Strategic thinking in Government” that the Cabinet Office must be given the means and the influence to act as an effective headquarters of Government or the failure of cross-departmental working will continue to create wasteful conflict. We commend the Cabinet Secretary and Treasury Permanent Secretary for their determination to improve this and we will keep the matter under review. (Paragraph 24)

Known trends and drivers

4. The use of jargon in advice to ministers can obscure meaning, hide inaction and invite ridicule. Terms must be well understood for Government to be able to conduct coherent analysis and for officials to act accordingly. Jargon must not be used to lend a false legitimacy to otherwise ill-thought through ideas, concepts and policies. (Paragraph 45)
5. Whitehall lacks discipline about how to think about ends, ways and means in part because people use different terms in different contexts. For example, for the Ministry of Defence, strategy is how you achieve policy aims. For many in the rest of Government, the reverse is true: they understand policy to be how you achieve strategy. In our review, strategy includes both: it is about how you choose your long-term objectives, and how you assess the ways and means of achieving them. Both require longer-term thinking. (Paragraph 46)

6. Without a coherent understanding in the Civil Service of the trends and drivers of change, the Government will fail to develop associated opportunities, which depend on developing skills, educational opportunities, and investment in the UK's science and industrial base. This is the most effective way to improve productivity and innovation. (Paragraph 47)
7. The Civil Service usually responds brilliantly to fast onset, short duration crises, with clear responsibility taken by a lead government department. This capability is tried and tested, both through exercises and real events. Market-wide exercises have been conducted to test resilience, but not on a comprehensive basis to address the risk of systemic financial collapse triggered by an unexpected event. Yet there is seldom an emergency that one government department can handle entirely on its own. (Paragraph 48)

Current Government capacity

8. There is an impressive array of high quality long-term thinking and horizon scanning across Government. The Civil Contingencies Secretariat and Met Office provide an excellent public sector capability. We welcome the Parliamentary Office for Science and Technology's work in this area, prompted by our previous recommendation. We also welcome the establishment of the Cabinet Office's horizon scanning programme team and its aim to coordinate work between departments. However, this central resource is much too small. It needs the capacity and the authority to address gaps and duplications and to coordinate a comprehensive and coherent analysis of the risks and challenges facing the whole of Government. (Paragraph 90)
9. We commend the development of the National Risk Register. It is a vital tool to enable and encourage thinking about better management of short and long term risks. Together with Whole of Government Accounts, which provides a deeper understanding of long term actual and potential financial liabilities, they set down the context which decision makers must consider. The challenge is to ensure that this information is used in advice to ministers, and not ignored. (Paragraph 91)
10. The Development, Concepts and Doctrine Centre is generating world class horizon scanning which embraces the whole of Government. Though its work is used across Whitehall it is not even acknowledged by the Cabinet Office in their written evidence. This shows that horizon scanning is still regarded as ancillary rather than central to the business of Government, and requires wider awareness of horizon scanning and changes in attitude. (Paragraph 92)
11. Long-term thinking and the consideration of emerging trends need to be the driving force behind financial management and far more coordinated with public investment decisions. At present, horizon scanning has little impact on financial planning, though we commend the desire of the Cabinet Secretary, the Treasury Permanent Secretary and the Civil Service Chief Executive to address this problem. (Paragraph 93)

12. Comprehensive Spending Reviews reflect the Treasury's legitimate preoccupation with setting spending limits department by department. But there is insufficient understanding of the cross-departmental effects of investment decisions, and a lack of capacity to create genuinely cross-government financial plans. The comment made by John Manzoni, Civil Service Chief Executive, that "normally, in the headquarters of a company, [...] parts of the Treasury and Cabinet Office [...] would be in one headquarters [... which] makes it slightly more complex", shows that the present structure does not serve the interests of financial planning and management. Other governments including the federal governments of Canada and the United States have a single body to conduct financial planning. Some, like the think tank GovernUp, have recommended that functions from the Treasury and Cabinet Office should be combined in a new Office of Budget and Management. The present divide between the Treasury and Cabinet Office is a structural impediment to effective financial planning and management. (Paragraph 94)

Known and unknown risks

13. A core role of the Civil Service is to look beyond single Parliaments to the long-term. Its leadership must look beyond managing and controlling risks we already understand to systemic risks and uncertainty. The Civil Service value of impartiality implies a responsibility to provide advice about the longer term. Civil servants should not block or subvert ministerial decisions, but they should ensure their advice reflects a frank and honest assessment of the impact of ministers' decisions on the long-term aims of Government. (Paragraph 118)
14. The Treasury acknowledges 'massive risks like banks collapsing' but has not absorbed the key lesson of the 2007-08 financial crash on the interconnectedness of financial uncertainty with wider uncertainty. This leaves the UK exposed to the risk of another adverse event on the same scale as the 2007-08 financial crash. Financial and economic risks are ever present but not included in the National Risk Register. The Treasury does not therefore consider financial risks alongside other, non-financial risks, such as pandemic flu. The division of responsibilities has changed but the Treasury retains its overall accountability for financial crises. (Paragraph 119)
15. Resilience depends on informed challenge and putting in place sufficient resources to provide a buffer of redundant capacity. This is harder to justify at times of austerity but it is all the more essential to plan carefully if cuts are being made. Independent advice is key given that group-think contributed to the financial crisis: 'challenge' is not about contesting the authority of ministers, it is robust information and advice to help ministers make their decisions. There is not enough challenge to Government horizon scanning, either from external views or from nurturing dissenting voices within the Civil Service. (Paragraph 120)

Recommendations

- 16.** *The centre of government must strengthen its capacity for analysis and assessment of long-term issues and challenges. It should be capable of providing comprehensive advice to ministers based on this foresight and horizon scanning, as the basis for strategy and comprehensive cross-departmental financial planning. This capacity should inform spending reviews and decisions about financial priorities. It must be capable of formulating and overseeing the implementation of cross-government financial plans. The Government should set out how leadership of this work will be shared by the Chief Executive of the Civil Service and the Treasury, under the overall direction of the Cabinet Secretary and Head of the Civil Service, who should have overall responsibility for cross-departmental risk and radical uncertainty, so that this work is integrated. It should be presented in the form of advice to Cabinet, its committees and individual Ministers to inform decisions about spending and policy. (Paragraph 124)*
- 17.** *In order to demonstrate that the Treasury is fully prepared for another financial crisis as a consequence of the systemic risk arising from the interconnectedness of wider risks and uncertainties, the Treasury should:*
- *Plan for a range of different crisis scenarios, based on a broad range of forecasts, data sources and assumptions, and which may be triggered by non-financial as well as financial events;*
 - *Conduct desk-top simulated exercises (“war games”) involving the Bank of England, and the Financial Conduct Authority, to test institutional responses and systemic resilience. This should inform a wider programme of cross-government exercises to test policy resilience (financial, economic, political and strategic); and*
 - *Ensure that lessons learned from the above are synthesised into policy making and spending decisions, not just to ensure financial and systemic resilience, but to counter the risk of ‘secular stagnation’ in the economy, by seeking out and exploiting opportunities to promote growth through innovation.*
(Paragraph 125)
- 18.** *The Cabinet Office, working with HM Treasury, should include systemic financial and economic risks in its National Risk Register. (Paragraph 126)*
- 19.** *The Cabinet Office horizon scanning programme team should be strengthened, to allow it to:*
- *promote a stronger appetite in the Civil Service for the understanding of risk, uncertainty and the longer term;*
 - *continue its efforts to encourage the use of systematic and imaginative analysis of trends, risks and possibilities in the Civil Service professions. In due course it*

should expand this work from targeting just the policy profession to all the Civil Service professions;

- *find out what horizon scanning and foresight is going on across government and in public bodies, and report annually on the coherence and effectiveness of this work; and*
- *work with departments to ensure named individuals are responsible for the quality, quantity and application into policy of this work in each government department.*

We recommend that civil servants' career development should include a period with the team in order that they understand its role, and they are exposed to long-term thinking, fresh ideas and challenge, and able to think about systemic risk, risk management, uncertainty and future challenges. This would also provide the team with some much needed extra capacity. (Paragraph 127)

20. *All Government strategic planning documents must state how they are using the results of—not just conducting—horizon scanning. (Paragraph 128)*
21. *The Treasury's next spending review must not be rushed, to allow time necessary for it to be based upon cross governmental analysis and assessment and so to address the cross-governmental impact. It should then be possible for the spending review to reflect other cross-departmental strategy and plans, such as the next Strategic Defence and Security Review and for opportunities in areas such as infrastructure and technology. (Paragraph 129)*
22. *All Select Committees should inquire at least once per Parliament into government actions to analyse trends, risks and future challenges and opportunities relevant to their remit. We also recommend that in the next Parliament, our successor Committee should lead by example in this, and offer to take a coordinating role in respect of the parallel work of other Select Committees. (Paragraph 130)*

Formal Minutes

Tuesday 3 March 2015

Members present:

Mr Bernard Jenkin, in the Chair

Paul Flynn

Sheila Gilmore

Mrs Cheryl Gillan

Draft Report (*Leadership for the long term: Whitehall's capacity to address future challenges*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 130 read and agreed to.

Question put, That the Report be the Third Report of the Committee to the House.

The Committee divided.

Ayes, 2

Noes, 1

Mrs Cheryl Gillan

Paul Flynn

Sheila Gilmore

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 10 March at 9.15 am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [Committee's inquiry page](#).

Tuesday 4 November 2014

Question number

Professor Robert Hazell CBE, Professor of British Politics and Government, and Director, University College London Constitution Unit, **James Lloyd**, Director, Strategic Society Centre, **Iain Gray CBE**, Chief Executive, Innovate UK, and **Robert Chote**, Chairman, Office for Budget Responsibility

[Q1-61](#)

Professor Michael Clarke, Director General, Royal United Services Institute for Defence and Security Studies, **Simon Gillespie**, Chief Executive, British Heart Foundation, and **Professor Dame Julia Slingo OBE**, Chief Scientist, The Met Office

[Q62-120](#)

Tuesday 9 December 2014

Professor Dame Sally Davies, Chief Medical Officer, Department of Health, **Jon Day CBE**, Chairman, Joint Intelligence Committee, Cabinet Office, **Rear Admiral John Kingwell**, Director, Development, Concepts and Doctrine Centre, Ministry of Defence, and **Dr Campbell McCafferty OBE**, Director, Civil Contingencies Secretariat, Cabinet Office

[Q121-203](#)

Tuesday 13 January 2015

Sir Nicholas Macpherson, Permanent Secretary, HM Treasury

[Q204-296](#)

Tuesday 20 January 2015

Major General Jonathan Shaw, former Assistant Chief of Defence Staff

[Q297-345](#)

Tuesday 13 January 2015

Sir Jeremy Heywood, Cabinet Secretary

[Q346-451](#)

Rt Hon Oliver Letwin MP, Minister for Government Policy, Cabinet Office

[Q452-504](#)

Published written evidence

The following written evidence was received and can be viewed on the Committee's [inquiry web page](#). WFC numbers are generated by the evidence processing system and so may not run consecutively.

- 1 Academy of Social Sciences ([WFC0004](#))
- 2 British Heart Foundation ([WFC0013](#))
- 3 Cabinet Office ([WFC0012](#))
- 4 Chairman, Joint Intelligence Committee ([WFC0014](#))
- 5 Cipfa ([WFC0016](#))
- 6 Ian Richardson ([WFC0017](#))
- 7 Institute for Government ([WFC0010](#))
- 8 Institute of Risk Management (Irm) ([WFC0002](#))
- 9 Involve ([WFC0007](#))
- 10 Mark Foden ([WFC0003](#))
- 11 Norma Cohen ([WFC0015](#))
- 12 Project Management Institute (PMI) ([WFC0006](#))
- 13 Royal College of Surgeons of Edinburgh ([WFC0005](#))
- 14 Royal Statistical Society ([WFC0018](#))
- 15 Sami Consulting Ltd ([WFC0009](#))
- 16 School of International Futures ([WFC0011](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at www.parliament.uk/pasc

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2014–15

First Report	Who's accountable? Relationships between Government and arm's-length bodies	HC 110
Second Report	Appointment of the Chair of the Advisory Committee on Business Appointments	HC 759
First Special Report	Business Appointment Rules: Government Response to the Committee's Third Report of Session 2012-13	HC 563
Second Special Report	Too soon to scrap the Census: Government and UK Statistics Authority Responses to the Committee's Fifteenth Report of Session 2013–14	HC 601
Third Special Report	More Complaints Please! and Time for a People's Ombudsman Service: Government Responses to the Committee's Twelfth and Fourteenth Reports of Session 2013-14	HC 618
Fourth Special Report	Caught red-handed: Why we can't count on Police Recorded Crime statistics: UK Statistics Authority Response to the Committee's Thirteenth Report of Session 2013-14	HC 645
Fifth Special Report	Statistics and Open Data: Government Response to the Committee's Tenth Report of Session 2013-14	HC 620

Session 2013–14

First Report	Communicating statistics: not just true but also fair	HC 190 (HC 573)
Second Report	Public engagement in policy-making	HC 75 (HC 986)
Third Report	The role of the Charity Commission and "public benefit": Post-Legislative scrutiny of the Charities Act 2006	HC 76 (HC 927)
Fourth Report	Engaging the public in National Strategy	HC 435
Fifth Report	Appointment of the Chair of the Committee on Standards in Public Life	HC 516
Sixth Report	Government Procurement	HC 123 (HC 105)
Seventh Report	Migration Statistics	HC 523
Eighth Report	Truth to Power: how Civil Service reform can succeed	HC 74 (HC 955)
Ninth Report	Latest proposals for ministerial involvement in permanent secretary appointments: PASC's recommendations	HC 1041
Tenth Report	Statistics and Open Data: Harvesting unused knowledge, empowering citizens and improving public services	HC 564
Eleventh Report	The failure of the Cabinet Office to respond to our Report on the Business Appointment Rules	HC 1156

Twelfth Report	More complaints please!	HC 229
Thirteenth Report	Caught red-handed: Why we can't count on Police Recorded Crime statistics	HC 760 (Cm 8910)
Fourteenth Report	Time for a People's Ombudsman Service	HC 655
Fifteenth Report	Too soon to scrap the census	HC 1090
First Special Report	Public Trust in Government Statistics: A review of the operation of the Statistics and Registration Service Act 2007: Government and UK Statistics Authority Responses to the Committee's Ninth Report of Session 2012–13	HC 77
Second Special Report	Special advisers in the thick of it: Government Response to the Committee's Sixth Report of Session 2012–13	HC 515
Session 2012–13		
First Report	The Big Society: Further Report with the Government Response to the Committee's Seventeenth Report of Session 2010–12	HC 98
Second Report	The Honours System	HC 19
Third Report	Business Appointment Rules	HC 404
Fourth Report	Appointment of the Chair of the Charity Commission	HC 315-I
Fifth Report	End of term report: 2011–12	HC 316
Sixth Report	Special advisers in the thick of it	HC 134
Seventh Report	The Honours System: Further Report with the Government Response to the Committee's Second Report of Session 2012–13	HC 728
Eighth Report	The Role of the Cabinet Secretary and the Resignation of the Chief Whip	HC 864 (HC 968)
Ninth Report	Public Trust in Government Statistics, A review of the operation of the Statistics and Registration Service Act 2007	HC 406 (HC 77)
First Special Report	Public Appointments: regulation, recruitment and pay: Government Response to the Committee's Fourteenth Report of Session 2010–12	HC 18
Second Special Report	Leadership of change: new arrangements for the roles of the Head of the Civil Service and the Cabinet Secretary: Further Report: Government Response to the Committee's Twenty Third Report of Session 2010–12	HC 313
Third Special Report	Strategic thinking in Government: without National Strategy, can viable Government strategy emerge? Government Response to the Committee's Twenty Fourth Report of Session 2010–12	HC 573
Fourth Special Report	The role of the Cabinet Secretary and the Resignation of the Chief Whip: Government Response to the Committee's Eights Report of Session 2012–13	HC 968
Fifth Special Report	The Prime Minister's Adviser on Ministers' Interests: independent or not? Government Response to the Committee's Twenty Second Report of Session 2010–12	HC 976

Session 2010–12

First Report	Who does UK National Strategy?	HC 435 (HC 713)
Second Report	Government Responses to the Committee's Eighth and Ninth Reports of Session 2009–10: Goats and Tsars: Ministerial and other appointments from outside Parliament and Too Many Ministers?	HC 150
Third Report	Equitable Life	HC 485 (Cm 7960)
Fourth Report	Pre-appointment hearing for the dual post of First Civil Service Commissioner and Commissioner for Public Appointments	HC 601
Fifth Report	Smaller Government: Shrinking the Quango State	HC 537 (Cm 8044)
Sixth Report	Who does UK National Strategy	HC 713
Seventh Report	Smaller Government: What do Ministers do?	HC 530
Eighth Report	Cabinet Manual	HC 900
Ninth Report	Pre-appointment hearing for the post of Parliamentary and Health Service Ombudsman	HC 1220
Tenth Report	Remuneration of the Parliamentary and Health Service Ombudsman	HC 1350
Eleventh Report	Good Governance and Civil Reform: 'End of Term' Report on Whitehall plans for structural reform	HC 901
Twelfth Report	Government and IT—"a recipe for rip-offs": time for a new approach	HC 715
Thirteenth Report	Change in Government: the agenda for leadership	HC 714
Fourteenth Report	Public Appointments: regulation, recruitment and pay	HC 1389
Fifteenth Report	Smaller Government: What do Ministers do? Further Report with the Government Response to the Committee's Seventh Report of Session 2010–12	HC 1540
Sixteenth Report	Appointment of the Chair of the UK Statistics Authority	HC 910
Seventeenth Report	The Big Society	HC 902
Eighteenth Report	Change in Government: the agenda for leadership. Further Report	HC 1746
Nineteenth Report	Leadership of change: new arrangements for the roles of the Head of the Civil Service and the Cabinet Secretary	HC 1582
Twentieth Report	Government and IT—"a recipe for rip-offs": time for a new approach. Further Report	HC 1724
Twenty-first Report	Future oversight of administrative justice: the proposed abolition of the Administrative Justice and Tribunals Council	HC 1621
Twenty-second Report	The Prime Minister's adviser on Ministers' interests: independent or not?	HC 1621
Twenty-third Report	Leadership of change: new arrangements for the roles of the Head of the Civil Service and the Cabinet Secretary. Further Report	HC 1914
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