



# **Whitehall: Capacity To Address Future Challenges**

Evidence submission from SAMI Consulting

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October 2014

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## EXECUTIVE SUMMARY

The Public Administration Select Committee (PASC) has called for written evidence on the issue of Whitehall's capacity to anticipate, to analyse, to assess, and to respond to the most significant challenges, risks and opportunities facing the UK in the next decade or so.

This short submission identifies in Section 1 some of the key challenges and risks facing the Government.

Clearly, Whitehall's capacity to address future challenges will require both systematic approaches to the anticipation of challenges, and the ability to change to deliver government to meet the challenges. In this paper, we address the first of these two prongs.

In Section 2, we set out thoughts on some steps Whitehall could take to be well placed both to mitigate the risks it faces, and to exploit the opportunities. By building foresight into strategy, and by working more effectively across boundaries and using outside expertise and taking lay perspectives, government can become better both at identifying risks and opportunities early, and formulating effective options for responding to them.

- In 2.1 we identify the importance of building foresight and future scanning into the strategic cycle.
- In 2.2 we argue for greater joined-up thinking across Whitehall.
- In 2.3 we put the case for greater use of outside expertise to supplement internal deliberations in Whitehall.
- In 2.4 we argue for greater involvement of the public in looking at scenarios and strategic options for the future, and especially the involvement of younger people in longer-term scenario planning.

In Section 3, we identify some possible areas for strategic attention across Whitehall.

- In 3.1 we argue for strategic consideration of the future role and scope of government.
- In 3.2 we recommend in addition to this, work on what Government might look like in the future, in the context of devolution and localism.
- And in 3.3, we call for specific work on the use of Big Data in Government, including both the opportunities it presents, and also public anxieties about privacy and data security.



In the Conclusion we look back over the past 25 years, as a reminder of how fast and fundamental change can be, and how existing realities can be turned upside down by technological or geopolitical developments.

## What is SAMI Consulting?

SAMI is an independent company that offers world-class experience of horizon scanning, scenario planning, strategy and policy. SAMI has delivered over 250 projects in over 20 countries. We celebrate our silver anniversary this year.

We understand political, international and regulatory risk, economic uncertainty, social and cultural change, and the opportunities offered by technology. Our Fellows have experience of working in government, NGO and private sectors.

For more information on SAMI, our expertise and people, see our web site [www.samiconsulting.co.uk](http://www.samiconsulting.co.uk).



## **1. Background**

### **1.1 The Call for Evidence**

1. The Public Administration Select Committee (PASC) has called for written evidence on the issue of Whitehall's capacity to anticipate, to analyse, to assess, and to respond to the most significant challenges, risks and opportunities facing the UK in the next decade or so. This paper focuses on how Whitehall can improve its ability to anticipate, analyse and assess challenges, risks and opportunities.
2. PASC's remit includes scrutiny of Whitehall's capabilities for foresight and for reaction to the unforeseen, as well as the adequacy of current capabilities, the need for new capabilities in the future, and the conduct of strategy and leadership.
3. This study follows previous work by PASC on the theme of strategic thinking, and parallel work by the Science & Technology Committee on Government Horizon Scanning.

### **1.2 The Challenges, Risks and Opportunities Ahead**

4. This Section sets out some of the challenges, risks and opportunities that lie ahead. The examples given are well known. Effective strategic management – with foresight built into it – will keep these under regular review, and will look to identify new risks and opportunities and track their potential impact, and possible responses.

#### **1.2.1 The Economy**

5. There has never been a greater need for joined-up strategic thinking across government and the public sector than now. Before the First World War, state spending was about 15% of GDP, and between the Wars it was still only in the range of 25-30%. It is currently 43.5% of GDP. And even after the banking crisis, public spending in the UK rose from £634 billion in 2008 to £730 billion in the current year<sup>1</sup>.
6. The size of the share of national income makes all the more important the need for strategic planning to maximise the effectiveness (“doing the right things”) and efficiency (“doing things in the right way”) of the government machinery.

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<sup>1</sup> [www.ukpublicspending.co.uk](http://www.ukpublicspending.co.uk)



7. The issue is thrown into even sharper focus because the financial crisis of 2008 abruptly signalled that economic growth was no longer a “given”. UK Government debt has risen from 43.7% of GDP in 2007 to 90.6% of GDP now. Government debt repayments rose from £30.85 billion in 2008-9 to £46.97 billion in 2012-13<sup>2</sup>. Financial problems continue severely to restrict growth in the Eurozone, and high levels of national debt in most of the developed economies remain a matter of concern.

8. In this cold fiscal climate the challenge for government has changed. Rather than seeking to allocate increasing revenue funded out of economic growth, it is seeking to “do more with less” – ie to try to maximise the quality and efficiency of public services, whilst reducing and eventually removing the fiscal deficit, and beginning to reduce the size of the national debt. During the recent round of Party Conferences, the indications were that in the next Parliament there will be more of the same: downward pressure on public spending with only very limited scope to raise taxes instead.

9. We argue in Sections 2 and 3 below, that as well as seeking to do more with less, government needs to think strategically, using foresight techniques, about what it does – its scope and remit, and alternative approaches to the provision of public services.

10. In its latest population projections, based on 2012 data, the Office for National Statistics estimates that the number of people aged 80 and over will double, from three to six million by 2037<sup>3</sup>. This creates a major challenge to the downward pressure on spending, as it will lead to higher demand for health and social care, an increase in the numbers of pensioners, and a relative decrease in the proportion of working adults to retired people. The Government will thus have to formulate a strategic response to an increase in demand for spending, and a potential erosion in the number of taxpayers – this at a time when globalisation is making the task of raising business taxes ever more challenging.

### **1.2.2 An Uncertain World**

11. The challenges and risks the Government faces at home are amplified by problems elsewhere. The continuing financial crisis in the Eurozone continues to hamper efforts to promote economic growth, and reduces the size of potential markets for UK exporters. The continuing sovereign debt crisis also threatens further financial destabilisation in financial institutions.

12. Further afield, the re-emergence of assertive Russian nationalism has created a tangible threat to the security of the EU’s borders, and the use of economic sanctions in response has further hampered economic growth. Together with the

<sup>2</sup> [www.tradingeconomics.com](http://www.tradingeconomics.com)

<sup>3</sup> [www.ons.gov.uk](http://www.ons.gov.uk)



instability across much of the Middle East, the standoff with Russia also poses a potential threat to the security of the EU's energy supplies.

13. The changing landscape of the global economy, in which Asia, Africa and Latin America are all developing greater economic muscle, and Europe is in relative decline, offers both the opportunity to develop extra trade links, and the threat of greater competition, both for markets and for resource materials. The challenge is for Government to facilitate a flexible and effective response in a competitive globalised market.

### 1.2.3 Opportunities

14. There are also great opportunities ahead. As noted above, the emergence of new economic powers creates opportunities for renewed economic growth in this country, through developing trading relationships with the new economic powers.

15. As an advanced economy the UK still has an edge in the more hi-tech sectors, such as IT and genetics, and the UK is much in demand as a financial hub and a centre for international litigation.

16. Emerging technologies, such as artificial intelligence and robotics, may help to provide part of the solution to the demographic problems this country will face. And within government, technology will open up opportunities for Government to be more efficient and effective. IBM's Watson technology is already being deployed to support clinical decision systems in the USA, and is now being prepared for marketing.<sup>4</sup> In May 2013, the Economist reported on the developing use of robotics in health and social care settings in Japan<sup>5</sup>.

17. There also exists the potential to secure greater energy security, through a combination of means – the potential exploitation of domestic reserves of shale gas and oil (in its report in May, the House of Lords Economic Affairs Committee concluded that *"The UK's shale gas and oil could help create a new, viable and internationally competitive industry"*);<sup>6</sup> the global developments in the efficiency of solar energy; and the potential of new energy sources such as clean thorium-based nuclear energy. The latter two also hold the potential to secure cleaner and more renewable and carbon-friendly energy in the future.

18. However opportunities need to be seized. Government needs to use foresight in order both to mitigate the risks it faces, and to ensure the UK is best placed to seize the opportunities. In the next section, we identify some measures that the Government needs to put in place to increase our chance of success.

<sup>4</sup> <http://revolution-green.com/watson-ibm-artificial-intelligence-impacts-science/>

<sup>5</sup> The Economist May 14<sup>th</sup> 2013

<sup>6</sup> The Economic Impact on UK Energy Policy of Shale Gas and Oil, 8 May 2014



## 2. Equipping Government for Success

### 2.1 Building Foresight into Strategy

19. It is important to recognise that, across government, much good strategic work is going on, and that the Government is continuing to invest in expanding and improving its capacity for strategic thinking. SAMI has been, and continues to be, involved in work with individual Government Departments to think ahead, and develop scenarios to underpin future planning.

20. We also note that the Cabinet Office and the Government Office for Science have recently taken positive steps to coordinate horizon scanning across Whitehall through The Horizon Scanning Programme Team, which engages senior officials from across Whitehall, and issued guidance (The Futures Toolkit) to Government Departments. SAMI supports this, as the provider of foresight and horizon scanning training through Civil Service Learning.

21. These developments indicate a positive and open-minded approach, and mark progress being made within Government.

22. However, we also note PASC's conclusion in 2012, that:

*"We do not consider that the process of strategic thinking in Government currently reflects a virtuous circle of emergent strategy. We have little confidence that Government policies are informed by a clear, coherent strategic approach, itself informed by a coherent assessment of the public's aspirations and their perceptions of the national interest. The Cabinet and its committees are made accountable for decisions, but there remains a critical unfulfilled role at the centre of Government in coordinating and reconciling priorities, to ensure that long-term and short-term goals are coherent across departments."*

23. Our experience in working with clients tells us that systematic scenario planning and other foresight techniques add to the quality of strategy development. By building foresight into strategy, and by working more effectively across boundaries and using outside expertise and taking lay perspectives, government can become better both at identifying risks and opportunities early, and formulating effective options for responding to them.

24. Strategic planning should include a continuous cycle of:

- strategic thinking, involving the gathering of strategic intelligence – horizon scanning, research, adopting and developing the latest techniques
- making sense of the view of the horizon – identifying the key drivers of change, the key uncertainties, and developing scenarios that allow proper exploration of the big issues, questions and uncertainties;
- qualitative and quantitative analysis of the key drivers of change

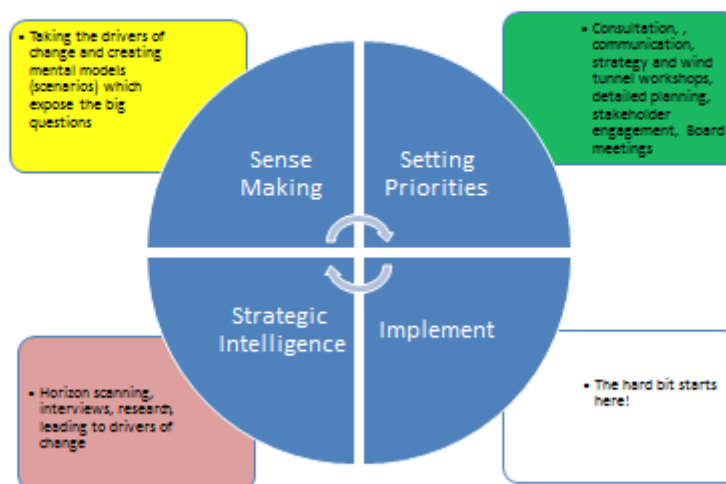


- priority setting – involving consultation and communication, not only with experts, but also people who receive government services and voters more generally – leading to firm decisions
- implementation of decisions and review and reprise of the process in parallel.

## Strategy cycle



Robust decisions in uncertain times



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25. This is not merely a matter of self-interest on our part. In his book *Expert Political Judgment*, Philip Tetlock published in 2005 the results of an 18-year study involving experts on politics and geopolitics<sup>7</sup>. The survey showed that experts tended to make poor forecasters. Subsequent research has shown that it is possible to generate better results by the application of better techniques and the use of teams, rather than reliance on individual experts. Strategic planning and forecasting is an art as well as a science, and is constantly evolving. It is therefore essential that within government there is continuing exposure to new findings and strands of thought, both to challenge the risk of “group-think” within government, and to bring the latest techniques to bear.

26. The application of futures techniques can enrich and enhance strategic planning. For example, the use of the “Three Horizons” model (see diagram below), builds into the strategic process proper consideration of the emerging issues and drivers of change that have the potential to overturn what are currently the “norms”. Without thinking of this sort, it becomes too easy for policy makers to see the future as no more than an extension of the present, and thus both to

<sup>7</sup> FT.Com Magazine, September 6/7 2014





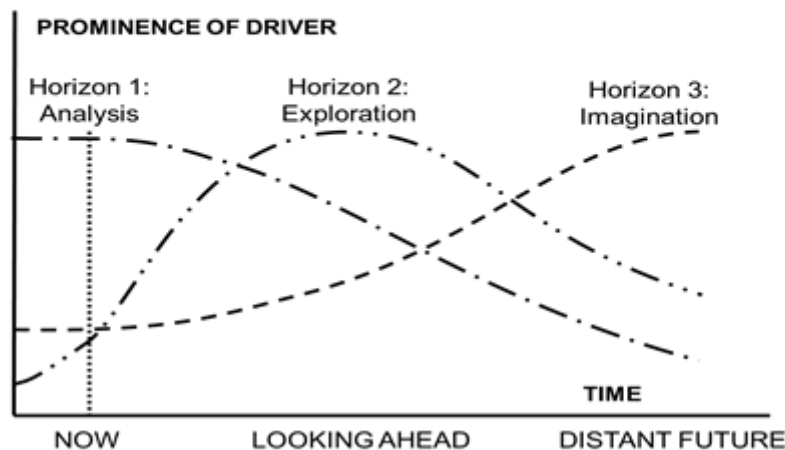
miss the chance to foresee and grab opportunities, and to fail to see (and thus manage to avoid) icebergs ahead.

## Three Horizons



Robust decisions in uncertain times

Three Horizons to classify drivers of the future



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## 2.2 Joining up Whitehall

27. PASC, in its 2012 report on Good Governance, and the Science & Technology Committee in its Report on Horizon Scanning, have criticised the extent to which “silos” within government inhibit effective strategic and futures thinking. PASC concluded:

*“Unless National Strategy involves the whole of government and is embedded in the thinking and operations of all departments it not strategic. The Whitehall silos act as a roadblock to National Strategy.”*

28. The Science & Technology Committee concluded:

*“We consider the siloed nature of the Civil Service to be a fundamental issue which should be explored in a Parliamentary Commission into its future, as recommended by the Public Administration Select Committee.”*

29. We would add that it is now almost 100 years since the architecture of the UK Government was determined, following the Haldane Report. The system developed after the Haldane Report is very much based on “Departmentalism”; while that has many organisational conveniences, it tends to foster the silo mentality, which PASC and others have criticised.



30. We believe that some of the more strategic issues facing government – such as the future role and scope, people’s expectations of government, and the future role of “Big Data” in government must be looked at in a cross-cutting way, that transcends Departmental boundaries, and overcomes Departmental disagreements over priorities or ways and means of achieving strategy.

31. In his work, *Delivering Public Services (2004)*, Professor Tom Ling described the supply chain for public services, which encompasses the following<sup>8</sup>:

- Specifier/designer – who decides what services will be supplied to the public
- Regulator – the formal body responsible for defining standards
- Auditor/scrutineer – who monitors the standard of service delivery
- Allocator – who decides the mechanism for allocation, either explicitly or implicitly eg by rationing or waiting times
- Funder – who pays for the services
- Purchaser – who buys for the services, which can be the state, an individual, or an intermediary organisation
- Delivery channel/providers – the direct interface with the end user
- End user/recipient – the citizen or other consumer.

32. Within this there is a wide range of activities, and thus plenty of opportunity to consider different organisational models for the delivery of public services. Given the fiscal and economic challenges facing the Government now and in the medium-term, there is a very strong case for a strategic review of the machinery of Government, looking at different scenarios and models. This would complement the “getting more for less” agenda by looking more fundamentally at the role, scope and organisation of what Government does.

### **2.3 Opening up Government Strategy**

33. For very understandable reasons, Government is shy of allowing its strategic deliberations into public view. Officials want a “safe space” in which to pursue ideas and options; and Ministers value the confidential nature of the advice they receive from officials.

34. However, this understandable desire, for confidentiality and discretion, can help to foster a culture that rejects or undervalues challenge to the consensus.

<sup>8</sup> Quoted in *The Future of Services to the Public*, SAMI Consulting, CIPFA/SAMI, 2007



Government needs to be bolder in opening up strategic debates both to experts in the subjects under consideration, and in involving experts who can help with the process of developing strategy.

35. In our evidence to the Science & Technology Select Committee's inquiry into horizon scanning in 2013<sup>9</sup>, we highlighted the different approaches taken in a selection of other countries, including Australia, the Netherlands, Finland, Singapore, and in the European Union. We believe that the UK Government should develop and retain the capacity to review approaches taken in other countries, and actively foster relations with the strategic arms of those other countries' governments and at EU level.

36. In the same spirit, whilst applauding and supporting capacity building within government, we know that all the research shows that the deployment of diverse outsider perspectives is essential to effective strategic futures work, and so would encourage government to continue to seek external input into strategic projects to challenge current thinking, whilst helping to develop the emerging in-house expertise.

## 2.4 Public Engagement and Understanding

37. If the current economic and global situation is forcing government to rethink its role and how it operates, it seems sensible that this process should take account of the feelings and values of the population.

38. We note PASC's statement in its 2012 report:

*“Government, and Parliament as a whole, need a deeper understanding both of how the public perceives our national interests and of what sort of country the public aspires for the UK to be.”*

39. The Committee's subsequent publication of its own deliberative polling in 2013 provided food for thought. We believe this was a positive initiative, but see potential for other forms of public engagement beyond deliberative polling.

40. We also note the sense of a widespread disillusionment with, and disengagement from, mainstream politics, and a reduction in the public's trust in politicians. According to the British Social Attitudes Survey<sup>10</sup>, in 2009 18% of people “trusted politicians to put the needs of the nation above the interests of their own political party”, down from 38% in 1986. But we have seen public willingness to engage in politics – most recently the astonishingly high turnout in the Scottish independence referendum – if people feel that they have an important stake in a particular decision and have the opportunity to make their

<sup>9</sup> <http://www.samiconsulting.co.uk/training/documents/Horizon%20Scanning1.pdf>

<sup>10</sup> <http://bsa-30.natcen.ac.uk/read-the-report/key-findings/trust,-politics-and-institutions.aspx>



views heard. We are not advocating lots of referenda on single issues, but we do believe that what happened in Scotland shows that it is possible in today's world to get widespread public engagement in the political process.

41. Guidance from The Chartered Institute of Public Finance and Accountancy (CIPFA)<sup>11</sup> states that, *“For elected governors, the manifesto and the ballot box are the foundation of the accountability relationship; but good governance also requires an ongoing dialogue between them and their electorate. Appointed governing bodies also have to develop an accountability relationship through dialogue. The fuel of this dialogue is interest and confidence. If dialogue is to develop and continue, organisations need to encourage and maintain the interest and confidence of the public and service users”*.

42. Our experience is that the Government is relatively weak in involving selected members of the public, and – when looking at future strategy – the representatives of younger generations, to look forward at peoples' expectations of government and public services, and the ways in which they see themselves interacting with government and public services in the future. This ought to be built into the standard approach for the development of strategy across government. This is not merely a call to revive focus groups. It is a proposal to involve the public in polling, and to engage groups in consideration of policy and future strategy, using the latest techniques and the power of social media.

## 2.5 Summing Up

43. Whitehall is globally admired and known to be honest, impartial and consistent in the support it gives to Ministers. And there has been measurable progress in growing and improving the capacity for strategy and foresight. We recognise that this is a work in progress. The Horizon Scanning Programme Team was only announced in July.

44. Whilst recognising that, we see three key areas for improvement. First, we see a need for the tighter integration of foresight with strategy.

45. Second, we see a need for greater capacity for high-level joined-up strategy, that can operate with authority across the institutional silos in the Whitehall structure. This requires buy-in at the very top of the Whitehall machine so that barriers can easily be overcome.

46. Thirdly, we see a need for more use of outside experts, and for more public involvement in consideration of strategic issues and future scenarios.

47. In the final section of this submission, we suggest some areas where these approaches might usefully be employed.



### 3. Areas for Strategic Attention

#### 3.1 The Future Role and Scope of Government

48. Central to any consideration of strategy is the way in which governments deploy the resources available to them. As we have argued in Section 2.2 above, in the current climate there seems to be a clear case for a review of the machinery of Government, involving the development of scenarios looking at the impact of key variables, such as the future direction of the economy on the overall role of government – and supplementing the “more for less” agenda with a more fundamental look at the role, scope and organisation of government. It also seems axiomatic that there needs to be an alignment of strategic priorities with spending plans across Government. Whilst it is natural for individual Departments to “fight their corner”, there needs to be an overarching set of strategic intentions and priorities in Government to set the parameters for strategic spending rounds. This needs to go beyond the traditional spending round negotiations between departments and HMT. Decisions need to be grounded in a knowledge of future uncertainty – rather than just arguing over the margins of current expenditure levels.

49. The process of setting these parameters would be enriched by ensuring a good, up-to-date methodology for the purpose, and keeping that under review and refinement.

50. This is also a key area for involving members of the public in the debate – at least in principle – to get the end-user perspective on the competing priorities within Government and the choices that need to be weighed up.

#### 3.2 What will Government look like?

51. For many years, the UK has had a highly centralised system of government. Devolution has started to change this, and the current administration has espoused “localism” as a principle. There is an imminent debate to be had on how Scottish, Welsh and Northern Ireland devolution will evolve, and the question of whether and how England’s constitutional position will be changed, both at Westminster and at city and regional level.

52. It is likely that there is no single “right answer”. We believe that strategic thinking on drivers and uncertainties also needs to be linked to cross-impact analysis of the potential future government structure scenarios. Only by doing this can implementation and planning be grounded in potential “variable

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<sup>11</sup> CIPFA: The Good Governance Standard for Public Services (2004)



geometries” of future power structures, and how the public can influence the decision making processes that take place in them.

### **3.3 Big Data and Government**

53. Given the continuing growth of the capacity to capture, store and analyse data, a foresight exercise to look at how Government might use these enhanced capacities to improve the efficiency, effectiveness and specificity of public services in the future, and what that might mean for the shape and machinery of government itself; this would also take into account the threats and risks that could lie in wait.

54. There is a public scepticism about the use of data by Government and there are interest groups which actively oppose it. The recent controversy over access to NHS data is a good example. What is more, there are concerns about access to such data by the private sector – for example insurance companies.

55. On the other hand, the public seems to be largely content for now to allow access and use of social media data by the likes of Google and the ongoing analysis and onward sale of data derived information to other companies.

56. Beyond this, there are huge potential opportunities – for example the use of NHS HES data to underpin large-scale clinical research, thus assisting the advance of medical science, and potentially making the UK an attractive destination for clinical research investment.

57. We believe the explicit question should be examined: what might be the trends or uncertainties for the future in terms of access to data and public trust?



## 4. Conclusion

58. In looking forward, it is often instructive to look back. 25 years ago – in 1989, personal computers were just starting to appear on the desks of Whitehall civil servants. They were largely used for word processing and the production of spreadsheets. Public access to the internet, mobile technology, and social media were all in the future. Indeed even 10 years ago, social media were largely unknown in government. It would be easy to overlook the challenges that this has posed for government, and it is important to recognise the real advances that have been made.

59. In the wider world, the Berlin Wall was coming down, the Cold War seemed to be coming to an end, and some commentators were even positing “the end of history”.

60. This submission does not seek to predict the next 25 years – and there is always a tendency to “oversell” the impact and benefits of technological change, but it is safe to assume that we will continue to see increases in processing power and speed; a continuing trend to more personalised content for users of IT; a growth in robotics and artificial intelligence taking over an increasing range of cognitive tasks (including civil service roles) and other automated technologies.

61. As observed earlier in this submission, the world will continue to have to respond to unforeseen events, be it the Arab Spring, the reassertion of Russian nationalism, or economic shocks.

62. Extrapolating from the past, it is easy to imagine that the next 25 years will see changes – both opportunities and challenges – of equal and greater magnitude. There is a need for government to be thinking of the scenarios that might arise, and how it would need to respond to them.

63. We conclude that this should be built explicitly into the process of Government, should reach across silos, involve people from outside government and engage members of the public. It should also be kept under continuous review.

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October 2014