


THE REVOLVING DOOR

AND THE CORPORATE COLONISATION
OF UK POLITICS



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The High Pay Centre is resolutely independent and strictly non-partisan. It is increasingly clear that there has been a policy and market failure in relation to pay at the top of companies and the structures of business over a period of years under all governments. It is now essential to persuade all parties that there is a better way.

The High Pay Centre was formed following the findings of the High Pay Commission. The High Pay Commission was an independent inquiry into high pay and boardroom pay across the public and private sectors in the UK, launched in 2009

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Foreword

Professor Stephen Wilks

In this report, I make the case that there is a corporate elite that has succeeded in colonising government. The corporate elite puts business and free-market ideology at the heart of our policy-making. Big corporations are literally making government in their own image.

The corporate elite is conventionally defined as the board members and the most senior executives of the quoted companies in the FTSE 100. This is a fair starting point but it is too narrow. If we define the corporate elite as those who extract exceptional income from large companies, then the population of companies should be expanded to include large non-quoted companies which are owned by families, private equity or overseas multinationals. The people who feed off these companies fall into four categories. First, there are the senior executives, the managers, in all sectors including finance. They run these companies primarily for their own interests. There may be much rhetoric of shareholder value but the managers are in the driving seat.

Second, there is a section of ministers, regulators and senior civil servants who have joined, or wish to join, the corporate elite and who are enthusiastic supporters of pro-corporate policies.

Third, there is a service industry of professional firms who provide advice and legitimacy as well as

technical services. They depend for their large profits on servicing corporations and most prominent are the large accounting and City law firms (see HPC, 2014).

Fourth, there is the media in the form of entertainment, PR and advertising firms whose news content is biased against damaging the interests of their large corporate clients and who are complicit in a news agenda that trumpets the benefits of the market and corporate achievements. Peter Osborne's recent critique of *The Telegraph* manipulating news to pander to HSBC illustrates this syndrome.

This corporate elite comprises perhaps 5,000 people, about 0.01% of the adult population (Wilks, 2013: 90). Unlike the old 'establishment' they are not defined by class, schooling or even family wealth. They share a unifying ideology centred on approval of markets, private enterprise and a small state but their major shared concern is the pursuit and retention of income and wealth. Statistics are elusive but figures from 2008 indicate that the top 0.1% enjoyed 7% of total income before tax and the ONS revealed that the top 10% of households controlled 44% of wealth in Britain. These statistics almost certainly understate the skewed distribution of income and wealth (for detail see Wilks, 2013: 90-91). This is an economic elite defined by its pursuit of economic power achieved through control of large companies and increasingly also by control of government. ■

Executive summary

Many commentators have suggested that public policy in the UK increasingly reflects not the democratic will of the public, but the interests of a 'corporate elite' and the increasing influence over governments that it exerts.

This paper looks at one aspect of the corporate colonisation of Government in particular - 'the revolving door' through which people from a corporate background, with sympathies towards corporate interests, enter into government, and through which civil servants and ministers, recruited for their knowledge of Government processes and contacts, are led out.

Revolving out

Between 2000 and 2014, 600 former ministers and top level civil servants were appointed to over 1,000 different business roles, according to the Advisory Committee on Business Appointments (Acoba) set up to monitor the employment of outgoing public officials. Case studies provide examples.

There are five potential types of problem or 'pathologies' that could arise as a result of former ministers and civil servants taking up business appointments

- > Abuse of office – Ministers and civil servants giving a company preferential treatment while still in post, in the hope of securing future employment
- > Undue influence over public policy – former policymakers use

their knowledge of government to gain input into government decisions that is not available to competing interests

- > Undue influence over contractual negotiations – former policymakers use knowledge, contacts and commercially confidential information in a way that subverts fair and open tendering processes for government contracts
- > Undermining trust in government and the democratic process – public trust is undermined by the perception that ministers and civil servants put personal gain over the public interest. In 2010, a Transparency International survey found 'that the revolving door between government and business' comes a close second in the public's ranking of potentially corrupt activities.
- > Consolidating the influence of the corporate elite - strengthening the influence of a corporate elite which recruits political elites and captures governmental processes at the expense of the public interest.

Regulation

Rules developed by the Acoba impose a two-year ban on lobbying for former ministers and permanent secretaries, as well as the capacity to make specific recommendations for individual officials. However, the regulatory process remains flawed, with three particular failings:

- > Self-regulation –Acoba has no real power of sanction and its recommendations are non-binding –

individuals do not have to abide by its judgements. Essentially then, the system is self-regulating

> Bias in favour of approval - the Acoba board is staffed by representatives of the three main political parties, plus a civil servant, diplomat, military representative and two businesspeople. They are drawn from, and are sympathetic towards, the very elites that they are supposed to regulate.

> Partial coverage – Acoba’s coverage extends to Ministers, the most senior grade of civil servants, special advisers and military officers. It does not cover other senior civil servants, the NHS, non-ministerial MPs or local Government officials

Revolving in

Since the 1990s, the dominance of the civil service by career civil servants has weakened. Private sector appointments have become commonplace across a number of different levels of Government in a number of different ways:

- > ministers from business appointed through the House of Lords
- > appointments as non-executive directors of government departments
- > appointments at the highest levels of the civil service
- > external appointments at more junior levels of the senior civil service

> extensive use of management consultants

> use of secondments from companies and professional firms

> appointment of SPADs (special advisers) often from a business background and who return to business appointments

New organisational requirements, developed in the mid-2000s, require that all public agencies and Government departments, must have a ‘board’ similar to the board of a plc. All boards have ‘non-executive directors’ (NEDs) appointed from outside the organisation and typically from business.

These arrangements have inserted literally hundreds of senior executives into government. As of June 2013, the 14 lead non-executive Directors overseeing Government departments included

- > Lord Browne (Cabinet Office), former CEO of BP and Chair of Cuadrilla, the fracking company
- > Sam Laidlaw (Department for Transport) former CEO of Centrica, owners of British Gas
- > Peter Sands (Department of Health) former CEO of Standard Chartered Bank

Appointments to full-time senior civil service positions from the private sector have also increased. 30% of senior civil servants in 2013/14 had been appointed in this way. This transformation, too, has had

great importance. Business values, business models and business influence are now at the heart of the civil service.

In politics, business appointments to the House of Lords have become commonplace. Finally, management consultants have proliferated. The Public Accounts Committee estimated that the annual spend by central government on consultancy services was about £800m.

While, nobody would argue that government has nothing to learn from business, it is important to note that the primary objective of businesses – to maximise profit – is very different to the public service ethic that we expect of policy-makers. The experience, perspectives and indeed the motives of businesspeople working IN Government, particularly consultants whose ultimate loyalty is to the firm that employs them, rather than the public, may not be completely suited to the task of public administration.

Possible reforms

OECD guidelines for post-public employment, based on best-practice across a number of different countries, include:

- > a cooling-off period during which post-public employment is prohibited.
- > restrictions on the behaviour of the employee, including, for instance, prohibitions on using confidential information or lobbying government.

- > restrictions on the actions of the new employer in respect of demands made on the employee
- > monitoring of post-employment behaviour and sanctions to punish non-compliance
- > a process for considering appointments and advising, or ruling, on their suitability
- > transparency of appointments, including disclosure of which appointments are taken up and why they are justified
- > an increasing concern with 'pre-public employment' so that public employees are restricted in their dealings with former employers or clients

These processes are, in theory, addressed in the UK to a greater or lesser extent through the Acoba procedures. But this report argues that the Acoba rules are wholly inadequate and that further scandals are inevitable.

This report supports the recommendations of the Public Administration Select Committee which has demanded the replacement of Acoba with primary legislation and statutory rules on cooling off periods and behaviour in the new appointment. It recommends the Canadian model with more formal processes and the creation of a 'Conflicts of Interest and Ethics Commissioner' with statutory powers. The Commissioner would set up a clear and transparent system with effective monitoring, sanctions and

reporting. The Commissioner would report to Parliament rather than to the Prime Minister.

These proposals were rejected by the Coalition Government. However, recent scandals could bring the

regulation of the 'revolving door' into question once again. With a general election only weeks away and public trust in Government dwindling, there is, perhaps, an opportunity for reforms to resurface in the shape of party manifesto commitments. ■

The corporate colonisation of British politics

The main risk that the corporate elite faces is democratic politics, in the sense that unions, consumers, environmentalists, those who oppose corporate capitalism, might gain control of government. This brings us to the colonisation of government. The proposition is not that corporations 'lobby' or indirectly influence government, it is rather that they have 'acquired' government, almost as a monopolistic corporation acquires a competitor (see also Beetham, 2011 and Crouch, 2011).

Colonisation takes on a variety of forms. The corporate elite has reached out and absorbed key elements of the party-political elite. Party leaders are avowedly 'pro-business' and have adopted a conventional commitment to the free market and growth. Their acceptance of a corporate ideology sits conveniently with access to party funding and opportunities for personal enrichment. At the same time countervailing forces have been suppressed. The unions no longer exert significant opposition and, as argued below, the civil service has been effectively subordinated. The business ideas, the business models and the business people created by the corporate elite now have such a hold over government policy formation, over legislation and regulation in those areas that affect corporate interests, that they have captured elements of government.

The areas of government that have come under corporate control are those economic and industrial areas that are of key importance to

company growth and profitability. They therefore include the central economic departments, the Treasury and economic regulators such as the FCA (Financial Conduct Authority). Capture extends to processes of self-regulation such as the FRC (Financial Reporting Council) and processes of corporate governance. The mechanisms of capture are multiple but can be direct, as with influence over the leaders of the main political parties through funding, advice and shared ideologies. Or they may be indirect, as with the discipline exerted through financial markets and economic expectations, as illustrated by the role of the bond markets in disciplining governments. The image of corporate acquisition of government becomes literally true with the growth of outsourcing and the contract state. A whole sector of service companies has grown up to undertake the delivery of public services. This public services industry accounts for at least 6% of GDP. It employs over 1.2m people and about one third of public spending on services is now outsourced to companies such as Serco, G4S, Capita and Atos. As government shrinks so companies take over whole areas of public services, currently the entirety of defence procurement and the whole probation service are in the process of being transferred. Government no longer 'delivers' public services, it 'procures' them from companies and efficient procurement in the market has become a key area of expertise for today's civil service.

The proposition that the corporate elite has colonised parts of the

public sector in order to bolster corporate growth, enhance corporate profits, and to allow them access to those profits, requires more than anecdotal evidence. Accordingly this report turns to an examination of one important mechanism of corporate influence, the 'revolving door'. ■

The Revolving Door

The term 'revolving door' refers to the movement of senior individuals from positions of public office to jobs in the private sector, and vice versa. In many countries this has tended to deal more with people moving OUT of the public sector and has been particularly important in countries with elite, career civil services such as France and Japan, as well as the UK. In France retirement at a relatively early age has allowed senior officials to move into the private sector in a process termed 'pantouflage' (often translated as 'parachuting out'). In Japan the equivalent process is known as 'amakudari' ('descent from heaven'). In both countries this has allowed former officials to take influential positions and to extend the power of the state. Historically the British arrangements could be seen in the same light.

An alternative direction of influence is more typical of the US in which senior private sector people move IN to government as part of the politicisation of US public appointments sometimes referred to as the 'spoils system'. These public officials will return to the private sector thus giving a true 'revolving door' of people moving in and out of government. In more recent years the British arrangements have been transformed in the American direction. Officials continue to move OUT into the private sector and this has been paralleled by business people moving IN to government. Clearly these movements create the potential for unfair advantages, for conflicts of interest and, at the extreme, for outright corruption. Accordingly many countries have

introduced regulatory frameworks, often legislative and enforceable at law. The range of controls has been reviewed by the Public Administration Select Committee (PASC) who approved of the Canadian system (see p. 38 below). Best practice has also been reviewed by the OECD which has produced a code of conduct for the regulation of the revolving door.

In the absence of a rigorous system of control the revolving door between government and business provides a constant source of unease and a diet of almost self-evident conflicts of interest which are regularly featured in the columns of *Private Eye*. The potential for scandal was beautifully illustrated in February 2015 as this report was being finalised by the re-run of the 'cabs for hire' scandal (see pp. 22 below) and the shaming of HSBC. The 'cabs for hire' sting involved former ministers revolving OUT into the private sector and presented excruciating footage of Sir Malcolm Rifkind and Jack Straw offering their knowledge and contacts for hire (Dispatches, 2015). The shaming of HSBC grew out of its role in encouraging tax avoidance, through their Swiss subsidiary and shone a spotlight on the HSBC Chairman at the time, Lord Green, revolving IN to government as Trade Minister (see HSBC case study). If upstanding and widely respected former Foreign Secretaries such as Malcolm Rifkind and Jack Straw can find the lure of the private sector so irresistible what hope is there for avoiding conflicts of interest? In the words of one polemicist, 'it defies rationality to believe that the

prospect of far better paid jobs in the private sector doesn't influence the decisions of ministers or officials – or isn't used by corporations to shape policy' (Milne, 2013). Without the creation of an independent regime for regulating the revolving door such grubby, corrosive and corrupt scandals will erupt time and time again. The risk of scandal will escalate over 2015-16 as possibly over 100 former ministers and SPADS leave government after the election to pursue lucrative appointments in the private sector.

The UK has a system of rules focussed particularly on revolving OUT but they are lightweight,

minimalist and have been roundly criticised by the press, by academics, think tanks and Parliamentary committees. Before turning to those rules, and how they might be reformed, we consider the position in the UK in respect firstly, of senior public officials, ministers and civil servants moving OUT into positions in the corporate elite; and secondly, of private sector business people moving IN to government. Along the way we consider the many risks involved and the potential for the revolving door to extend and consolidate the hold of the corporate elite over British government. ■

Box 1: Case Study

HSBC has cultivated very close relations with government. In February 2015 revelations of its assistance with tax avoidance attracted very wide attention and criticism of the appointment of its former Chairman, Lord Stephen Green, as a Trade Minister. HSBC has consistently recruited senior governmental figures. Over the past five years these include:

- Ruth Kelly, former Secretary of State for Transport, appointed as a Senior Manager, HSBC Europe, May 2010
- Admiral Lord West, former Under-Secretary, Home Office, appointed to the HSBC Advisory Board, September 2010
- Dame Denise Holt, former Ambassador to Madrid, Non-executive Director of HSBC Bank, February 2011
- Sir William Patey, former Ambassador to Kabul, NED, HSBC Middle East, July 2012
- Sir Jonathan Evans, former Director-General, Security Services, retired in April 2013 aged 55. Sir Jonathan joined the Board of HSBC Holdings as a Non-Executive Director in August 2013 at an annual salary of £120,000. He will join Rachel Lomax, former Permanent Secretary of the Departments of Transport and of Work and Pensions who was appointed in 2008 and receives £160,000. Also on the Board is Rona Fairhead a Non-Executive Director on the Cabinet Office Board, now also Chairwoman of the BBC Trust and an NED at Pepsico, her HSBC remuneration in 2014 was £513,000 (Guardian, 2/3/15). A further Board member is Sam Laidlaw, recently retired CEO of Centrica and Lead NED on the Department for Transport Board (see HSBC Holdings, Annual Report, 2013: 330-334).
- Dave Hartnett, former Permanent Secretary for Tax, HMRC, Adviser to an HSBC Board Committee on Financial Systems, January 2013
- Bill Hughes, former Director General of the Serious Organised Crime Agency, retired in August, 2010, joined the HSBC Financial Systems Board January 2013.
- Michael Ellam, former Director-General, HM Treasury, Managing Director, HSBC, December 2013, his brief is 'to develop HSBC's senior government relationships across banking' (Reuters 17/9/2013).

These appointments were approved by the Advisory committee on Business Appointments (Acoba). We have no data on more junior appointments from the public service but this array of former public officials speaks of the elite corporate network which this Report seeks to expose.

Revolving OUT: ministers, civil servants and regulators going private

It has been a long-standing practice that ministers and civil servants have supplemented their incomes after retirement by taking up appointments in the private sector. This has been described as part of a 'traditional public sector bargain' (Gonzalez-Bailon et al, 2013: 853) and it was tacit; understood but seldom discussed. Over recent years, however, this bargain has transmuted into an explicit celebration of closer relations between the elites of the private and the public sectors. The revolving door has been presented as an important source of mutual understanding and cross-fertilisation. In 2004, as part of a brief for the review of business appointments, Tony Blair required that they should be 'compatible with a public service that is keen to encourage greater interchange with the private and other sectors which is essential for effective delivery in today's public service' (PASC, 2007:5). More recently this official enthusiasm was reiterated with the observation from the Cabinet Office that 'it is a long-standing government policy that those with experience in government should be able to move into business or other areas of public life' (PASC, 2014b:3). This endorsement of 'interchange' between public and private organisations receives keen approval from senior officials (see Cahn, 2013). Accordingly ministers and senior civil servants, including senior staff of regulatory agencies, are positively encouraged to pursue business appointments on retirement or in mid-career, and they do. In the 14 years between 2000 and 2014 the Advisory committee

on Business Appointments (Acoba) that considers new jobs for former ministers, civil servants and other Crown servants, approved applications by 600 ministers and top level civil servants for 1,020 appointments (see Table 1). Labour ministers were just as inclined to take business appointments as Conservatives and the number of senior officials moving into the private sector is on a rising trend.

Table 2 identifies the types of roles taken up by former ministers and civil servants over the last ten years. Ministers are more likely to take up board level appointments and civil servants are more likely to become senior employees of companies, otherwise their destinations are quite similar. The majority of both ministers and civil servants take up appointments as advisers or consultants. The consultancy roles may be with a consultancy firm or, more often, as independent consultants. In those cases their activities, their clients (and their likely income) are more difficult to identify and there has been some concern that consultancy has become a way of sidestepping the rules.

The revolving door has become much more attractive to civil servants as their status has been undermined, a process that has accelerated since 2010. Their terms and conditions of employment have deteriorated, their job security is threatened by redundancy schemes, and the simple scale of rewards available in the private sector becomes steadily more disproportionate and hence more

table 1 Business appointments approved by Acoba

	Ministers		Crown servants		Total	
	People	Appts	People	Appts	People	Appts
2000-01	5	9	33	72	38	81
2001-02	7	18	18	24	25	42
2002-03	3	8	18	30	21	38
2003-04	8	33	26	38	34	71
2004-05	4	7	29	62	33	71
2005-06	11	22	35	50	46	72
2006-07	12	23	33	54	45	77
2007-08	24	37	34	61	58	98
2008-09	15	36	23	43	38	79
2009-10	7	13	27	39	34	52
2010-11	42	82	39	53	81	137
2011-12	11	13	31	33	42	46
2012-13	12	22	51	62	63	84
2013-14	18	44	24	32	42	76
Overall total	179	367	421	653	600	1020

Source: Acoba annual reports. These refer only to appointments actually taken up. 'appts' = appointments (many people took up several appointments).

Note: from 2010-11 onwards appointments reported through Acoba that were NOT "business" appointments (eg, charitable, academic, honorary) have been excluded from the figures.

attractive. Civil servants can still retire with a full pension at age 60 and with several years of their careers still ahead of them they have every incentive to pursue lucrative opportunities in the private sector to supplement declining earnings and accordingly less generous pensions. We come back to this point below when looking at relative remuneration packages.

It is hardly a revelation that moves out of senior governmental posts

into private sector companies carry dangers. These dangers are most apparent when the post-retirement appointment is related to the individual's previous posts within government. To take two recent examples. In September 2012 Sir James Paice MP left his post as Minister of State at Defra and in August 2013 became Non-Executive Chairman of First Milk at a salary of £125,000 (sources Acoba Annual Report 2013-14; Private Eye, 23/1/2015).

table 2 Business appointments 2004-2014 by type of role taken up

	Ministers		Officials		Total	
	Appts	%	Appts	%	Appts	%
Board level	48	18	47	9	95	12
Non-Exec Director (NED)	44	16	78	16	122	16
Senior employee	12	4	83	17	95	12
Consultant	58	21	102	21	160	21
Advisory	90	33	140	29	230	30
Other (eg. journalism)	22	8	40	8	62	8
Total	274	490	764	54	45	77

Source: Acoba annual reports. Figures refer to the number of appointments taken up and types of role allocated on the basis of the author's judgement. The numbers exclude nearly 500 non-business posts also reported in areas such as charitable work and education.

In December 2013 Nicholas Baird, former Chief Executive of UK Trade and Investment, left government service early (aged 51) to become Corporate Affairs Director of Centrica. Acoba notes that 'Mr Baird will be responsible for Government Affairs' (Acoba Annual Report 2013-14). Both these appointments comply with the Acoba rules, and there is no suggestion of impropriety, but they illustrate the tendency for those leaving government service to move into related private sector areas.

The potential for those revolving OUT of government service to provoke concern about conflicts of interest was noted early on. In 1975 Harold Wilson sought to defuse concern by setting up an Advisory Committee on Business Appointments (Acoba). Wilson was an astute operator who had once observed the merits of investigatory commissions which 'take minutes and last years'. Acoba performed a similar function by providing a façade of control. It did not publish any report of its activities until 1998 but its activities steadily gained more attention as scandals over expenses and lobbying began to illustrate the potential for abuse and outright corruption. So why exactly should we be worried? As noted above, the revolving door has been quite widely studied and bodies such as the OECD and Transparency International have provided useful categorisations of potential problems. We can go on to consider five types of problem or 'pathologies' of revolving OUT.

Potential Abuse of Office

Ministers and officials have regular and close dealings with commercial companies. This raises the possibility that they will treat a company generously and give it improper preference if there is a prospect of future employment with that company. The business appointment rules were explicitly designed 'to avoid any suspicion that the advice and decisions of a serving officer might be influenced by the hope or expectation of future employment with a particular firm' (Acoba, 1998: 12). Since this pathology affects serving officials it would be difficult to detect until the official leaves the service but it is a concern that is growing rapidly in importance. As the PASC (2012: 2) has noted, Government reforms of the civil service 'will see public servants working increasingly closely with the private and voluntary sectors. Changes to public service delivery – including the outsourcing of formerly public service functions could present greater opportunities for public servants to use their position for personal gain'. In particular, public procurement of substantial contracts will place contract negotiators in relatively junior, as well as senior ranks, in positions where they could confer huge benefits on specific companies. Similar potential problems apply to ministers and to economic regulators.

Undue influence over public policy

A former official now employed by a company might influence his or

Box 2: Case Study

Mark Britnell, Director General of Commissioning at the Department of Health resigned in June 2009, aged 43, in order to become Head of Healthcare at KPMG. Acoba required that he should have a three month delay before taking up the appointment and that he should not lobby government for 12 months. We know that accounting partners at KPMG earn around £700,000 and we can safely assume that Britnell's remuneration would be well in excess of his civil service salary. What is more extraordinary is that his successor as Director General of Commissioning, Gary Belfield, also resigned from the civil service, in May 2010, and also moved to the health practice of KPMG as an associate partner. Acoba did not report on his departure since he was an 'acting' Director General. Both individuals had been closely associated with market-orientated reforms of NHS commissioning and Britnell had expressed controversial views favouring the expansion of NHS outsourcing (Observer, 2011). The radio programme 'File on 4' featured these moves commenting that 'Mark Britnell not only designed the policy but also knows the people who are handing out contracts and making the decisions now' adding that 'it gives KPMG a head start over any other company wanting to get into this market'. Evidently KPMG was successful. File on 4 noted that KPMG began to win NHS contracts in 2010 and 'KPMG told us that this was one of three successful bids for work with parts of the NHS that Gary Belfield had been involved in since joining the company' (see File on 4, 2011). These developments have been widely followed and were cited by Spinwatch in their evidence to the PASC (2012), by TI, (2012: 3), and alluded to by the NAO (2015: 14).

her former associates to make or amend policy in ways that favour the company. This could arise from deliberate lobbying, from the mobilisation of knowledge obtained while in government employment, or simply by networking and making contact with former friends and colleagues who trust the individual. Transparency International (2011: 10) point out that this pathology can take the form of 'switching sides' when the individuals new role 'requires him or her to oppose the government's position on an

issue where he or she previously represented the government'. The evolution of policy and legislation can be the dominant competitive constraint for many companies and their ability to influence policy is of immense importance to them, indeed, why do we suppose that companies would be so keen to employ former ministers and officials? Examples are legion. We could, for example, consider energy, whether it is the renewables industry, pricing or support for nuclear. Thus Greenpeace have

noted that 'it is quite extraordinary the number of former MPs and ministers who are now working for the nuclear industry: it includes Geoffrey Norris, Jamie Read, Jack Cunningham, Ian McCartney, Richard Caborn, Brian Wilson and Alan Donnelly there are a lot of revolving doors which provides it with quite a lot of influence and lobbying powers, certainly more than we have' (John Sauvan, Greenpeace, evidence to PASC, 2009:13).

Undue influence over contractual negotiations

The default position for the delivery of public services has become the contract. Outsourcing is 'the new normal' and an entire sector of service companies has grown up, many of which live or die on the basis of their success in winning government contracts. Many ministers and officials will have

direct experience of negotiating with private sector contractors. At its most sensitive this may equip them with commercially confidential information but even on less sensitive issues they will have gained important insights into how government handles negotiations, the rules to be followed and the decision criteria that are most significant. This raises the most acute form of potential conflict of interests; in the words of Transparency International (2012: evidence to the PASC) 'there is a growing risk of conflicts of interest and corruption.... as public procurement from the private sector increases and downsizing of government leads to greater movement of senior personnel to the private sector'. This increased risk formed one of the main themes in the PASC's investigation of the business appointment rules.

Box 3: Case Study

Tim Smith, the CEO of the Food Standards Agency, resigned from the FSA in October 2012 to become Group Technical Director of Tesco. Acoba noted his regular contact with Tesco over issues such as 'traffic light' food labelling but was of the view that 'the proposed appointment could not be deemed a reward'. Nonetheless it instructed Mr Smith not to become personally involved in lobbying for two years. Yet the Guardian reported that the Health Secretary, Jeremy Hunt 'acknowledged that Tim Smith requested a telephone meeting in June (2014) with one of the health department's most senior civil servants' – to discuss publication of food poisoning contamination rates. (See Private Eye, 22/12/12; Guardian 12/12/14). Tim Smith had joined the FSA in 2008, after a career in the food industry including as CEO of Arla.

A pattern that is being reproduced in other sectors can be seen in the long-standing intimate relations between the military and defence contractors. Critiques of the 'military-industrial complex' go back at least to President Eisenhower's valedictory speech in 1961. In the UK a similarly close relationship exists between defence contractors, the Ministry of Defence and senior serving officers. Members of the Acoba in 2004, then chaired by Patrick Mayhew, expressed dismay about the flow of senior officers into defence contractors. They reviewed the risks where people applied 'for permission to take up an appointment in a sector where the applicant or their Department had had significant official dealings'. They noted that this applied especially to the MoD

where senior officers retiring at 55 wished to obtain employment in the defence industry. They noted the obvious, that such employees 'can strengthen any company', and went on to observe that 'In the case of the MOD, it can be argued that the numbers seeking such employment are so significant as to amount to a 'traffic' from the Department to the defence contractors.... It could be supposed that such officers (and their civilian counterparts) might enter their final postings with a hope or expectation of post-retirement employment with companies with which they would be dealing officially' (Acoba, Sixth Report, 2004: 9). Despite these concerns Acoba continued to approve the flow of senior officers into defence contractors and indeed, still gives approval. In evidence to the PASC

Box 4: Case Study

Bill Gunnyeon resigned from his post as Director of health and wellbeing at the Department for Work and Pensions in August 2014. Whilst at the DWP he had overall responsibility for the controversial 'work capability assessment' (WCA) programmes which assess eligibility for out of work disability benefits. Early in 2015 he took up a post with the American Maximus outsourcing company as an adviser. Maximus had been awarded two large contracts to operate the WCA and a parallel programme of Fit for Work assessments. Concerns were raised in several quarters including by Sheila Gilmore, a Labour MP and member of the Work and Pensions Select Committee, who commented that this episode 'exposes the revolving door that exists between Iain Duncan-Smith's department and its main contractors... It's always disappointing to see apparently committed public servants move to the big outsourcing firms, but this particular example raises questions about the proper use of public funds' (see disabilitynewsservice.com, 23/1/15 and *Private Eye* 23/1/15). The appointment was approved by his own Department, rather than being considered by Acoba.

in 2012 the Campaign Against the Arms Trade renewed the familiar critique with a list of senior MOD officers and officials taking posts in Lockheed Martin; AgustaWestland; BAE; Thales; Northrop Grumman; Control Risks Group and so on. This brazen trade in knowledge and influence defines a familiar problem which the government seems unable or unwilling to address.

The 'traffic' between the MOD and defence contractors verges on the scandalous but seems to have earned a weary public toleration (except from Private Eye). Similar patterns appear to be developing in other sectors, especially with respect to financial services, support services, energy and healthcare. Companies such as HSBC, Capita, PwC and Deloitte are regular recruiters of ministers and officials. There is clearly a question about whether procurement can be arms-length, impartial and wholly in the public interest when there is systematic 'traffic' between officials and contractors.

Undermining trust in government and the democratic process

Trust in government is a fundamental component of public life. The purpose of the Acoba rules 'was, and remains, to maintain public trust in the Crown services and in the people who work in them' (Acoba, 1998: 12). Public trust has been corroded by a series of scandals, most notably the revelations of improper ministerial lobbying in the 2010 'Cabs for hire' sting. Trust had deteriorated

to such a point that the PASC (2012: 24) concluded that the present system 'does not command public confidence and needs to be reformed'.

Public trust is based on the traditional values of British public life and civil service values which emphasised neutrality, impartiality, a public service ethic, and a disdain for personal gain. The revolving door could threaten these values through partisanship, favouritism, an individualised ethic and the pursuit of personal gain. This is no abstract threat. Recent trends could be said to be 'indicative of a process of 'institutional corruption' (Draca, 2014: 4) in which 'a bad set of incentives collides with our institutions to produce outcomes that strongly favour special interests over public welfare'. For Draca trust is of the essence, institutions become far less effective when public trust in the institution is weakened. Transparency International has explored this dimension using a 2010 survey on the prevalence of corruption in the UK. It found 'that the revolving door between government and business comes a close second in the public's ranking of potentially corrupt activities. A public official taking a job with a company that s/ he was previously responsible for regulating was rated as potentially corrupt by 80% of respondents' (TI, 2012: 1). TI note that damage to the public interest can occur even if there is no actual impropriety, the mere appearance of impropriety corrodes trust, and is likely to lead to the institutional corruption that is so destructive of effective policy

Box 5: Case Study

Cabs for Hire. In March 2010 Channel 4's Dispatches programme broadcast 'Politicians for hire' in which nine politicians outlined how they could influence government during an undercover operation in which reporters posed as political lobbyists (Dispatches, 2010). Among the nine were three former Labour Cabinet ministers. Stephen Byers (Transport Secretary up to May 2002) famously described himself as 'a cab for hire'; Patricia Hewitt (Health Secretary up to 2007) and Geoff Hoon (Defence and then Transport Secretary up to June 2009) both implied that they could gain advantage for business clients. The programme provoked widespread outrage. All three were immediately suspended from the Labour Party and later in the year the Commons Standards and Privileges Committee took the unique step of withdrawing Parliamentary passes from Byers (for two years) and from Hoon (for five years). As former MPs, standing down in the 2010 election, they would otherwise have been entitled to enjoy the facilities of the House of Commons.

The episode fed a growing concern about lobbying and, for our purposes, illustrates the temptations and opportunities available to former ministers acting, in this case, as potential consultants. The ministers all indicated a 'daily rate' of £3-5,000 for their services which for Hoon clearly breached Parliamentary rules. The Standards Committee declared that 'in our view, Mr Hoon was giving a clear impression during these exchanges that he was offering to brief clients about the strategic defence review on the basis of a confidential briefing he had received from MoD officials' (CSP, 2010: 18). Although still within the two year window Hoon's potential consultancy activities had not apparently been considered by Acoba. Patricia Hewitt, on the other hand, had declared some controversial post-ministerial roles. After retirement in June 2007 she became a senior adviser for the private equity firm Cinven and a consultant for Alliance Boots, both in January 2008, followed by a non-executive directorship at BT in March 2008. Her salary from Cinven was £60,000 and from Alliance Boots £55,000 (see December 2009 Register of Members Interests). Her BT remuneration in 2009-10 was £128,000 and she became Chair of the Remuneration Committee. By 2012-13 her BT remuneration had risen to £160,000, an illustration of the financial attractions of post-retirement employment (details from BT Annual Reports). These appointments were approved by Acoba.

making and implementation of government policy.

Survey evidence reveals a gulf between trust in ministers and trust in civil servants. Ipsos MORI have measured the public's trust in the professions since 1983. They simply ask 'would you generally trust them to tell the truth or not?' Ministers have been distrusted over the whole period. In 2014 only 19% of respondents trusted them to tell the truth, journalists, bankers and even estate agents were trusted more. On the other hand, civil servants have seen an increase in trust; from 25% in 1983 to 37% in 1993 and a remarkable 53% in 2014. One possibility is that trust in civil servants may be the obverse of declining trust in politicians (provoked by the Parliamentary expenses scandal). But for business appointment rules it seems that the ministerial rules to establish trust should be stringent; and that the civil service rules should seek to protect trust in civil service integrity. (The most trusted group is doctors, closely followed by professors, see Ipsos MORI, 2015).

Consolidating the influence of the corporate elite.

The fifth pathology associated with the revolving door is more subtle and insidious than gains for individuals or companies. It involves a strengthening of the corporate elite and extension of its influence into the very processes of government. The nature of the corporate elite was briefly reviewed above and the majority of the business posts taken up by governing elites revolving OUT are in some section of the corporate elite. There has been a steadily growing embrace between the corporate elite and the political elite (see Wilks, 2013: 95) but the corporate elite has also successfully penetrated the civil service and 'colonised' government. Three decades of civil service 'reform' have imposed management practices emulating the private sector; they have brought career insecurity and have downplayed a public service ethic in favour of more individualised and market-driven values. Ministers have denigrated the career civil service

Box 6: Case Study

Lord Turnbull of Enfield, formerly Sir Andrew Turnbull, retired as Cabinet Secretary and Head of the Home Civil Service in August 2005, he had also been Permanent Secretary at the Treasury 1998-2002. He took five private sector posts. Advisory posts at Frontier Economics and Booz Allan (a management consultancy) plus three appointments as non-executive director from May 2006 with Arup (a multinational professional services firm), British Land (at a salary of £53,500) and at Prudential (with an annual fee of £75,000). The appointments were approved by Acoba.

in a process that has reached a crescendo under Francis Maude as the Coalition's Cabinet Office minister. This sustained assault has greatly reduced the ability of the civil service to provide countervailing power and to impose effective checks on corporate power. Instead they have grown to accept the influence of corporations in government and, through the revolving door, have begun to join the corporate elite as a matter of routine. It is perhaps no accident that recent years have seen the Treasury and the Cabinet Office denuded as talented senior officials have departed for lucrative posts in the City (Hope, 2012).

The flow of senior civil servants being considered by Acoba is on an upward trend and many are leaving before formal retirement. These senior officials have growing familiarity with private sector companies through contracted outsourcing and through colleagues being recruited from outside the service. The 'traffic' so long typical of the defence sector seems to be reproduced in other sectors, in particular healthcare, energy and support services (including

the Big-4 accountants) which are popular destinations for those going through the Acoba process. But by far the most spectacular and systemic example of the revolving door is found in financial services. The banks have been prolific recruiters of officials (see the HSBC case study) whilst the OECD has identified symptoms of 'regulatory capture' for both the FSA (Financial Services Authority, now transmuted into the FCA) and UKFI (UK Financial Investments which manages the government's shareholdings in rescued banks). The OECD observe that 'since January 2000 there have been 36 different members of the FSA board... The data show that 26 of the members had connections at board or senior level with the banking and finance industry either before or after their term of office, whilst nine continued to hold appointments in financial corporations while they were at the FSA' (OECD, 2009: 29). The pattern continues. The non-executive Chairman of the new FCA (Financial Conduct Authority – with a 2014 salary of £192,000) is a classic elite player. It is John Griffith-Jones who retired in 2012 after six years as

Box 7: Case Study

Margaret Cole, the Head of Enforcement at the Financial Services Authority, resigned in March 2012 to take up a post as in-house Head of Legal Services at PwC. As a lawyer she had joined the FSA from the private sector and her return was seen as predictable. Nonetheless, the FSA had taken action against leading banks, such as JPMorgan, audited by PwC. Her case does not appear to have been considered by Acoba. (See *Financial Times* 21/3/12 and 24/4/12)

the Chairman and Senior Partner of KPMG, the firm that gave a clean audit report on HBOS. Further, the former Chairman of the FSA, Howard Davies has been appointed as the new Chairman of RBS. This prompted the Financial Times to

reawaken 'revolving door concerns' and especially to emphasise the role of the Big-4 accountants quoting Prem Sikka to the effect that they have 'penetrated the state' (FT 24/2/15). ■

Regulating business appointments

There are rules for civil servants and guidelines for ministers in respect of all appointments taken up after they leave public service. The rules have been developed by the Advisory Committee on Business Appointments (Acoba). The Committee has eight members, three appointed by the main political parties, four 'constituency' representatives comprising a senior civil servant, a senior military officer, a senior diplomat and a senior business-person and one additional business appointee. The Committee considers each case on its merits and makes recommendations to the Prime Minister. Since 1998 it has published its recommendations in all senior cases where an appointment was actually taken up. Its recommendations only cover the first two years after the individual leaves office and typically specify conditions such as a delay in taking up the post and refraining from improper exploitation of information and contacts, including restrictions on lobbying. There is a blanket ban on lobbying for two years in respect of former ministers and Permanent Secretaries, and often specific restrictions on former officials. The PASC was extremely sceptical about the ability of the rules to control 'lobbying' which, it pointed out was inadequately defined by Acoba so that 'with the rules as loosely and variously interpreted as they currently are, former Ministers in particular appear to be able to use with impunity the contacts they built up as public servants to further a private interest. We think this is unacceptable' (PASC, 2009: 58). This was a prescient observation, anticipating the 2010 'cabs for hire'

lobbying scandal, but the rules remain voluntary and ambiguous.

Since around 2010 Acoba has gone from a quiet backwater to encounter a torrent of criticism. Even those who support and benefit from the revolving door have harsh words for it, 'the lamentable ...ACOBA is an inefficient blockage which provides no reassurance against impropriety' says one former senior official (Cahn, 2013). The members of the PASC have become more and more critical. Their 2012 Report stated 'we recommend that the existing Advisory Committee on Business Appointments be abolished and replaced by a new, statutory, Conflicts of Interest and Ethics Commissioner' (PASC, 2012: 24). The Cabinet Office ignored the Report for two years, provoking a very grumpy complaint from the PASC (2014a), and when the response did emerge it defended the system, 'The Government believes that the existing Advisory Committee on Business Appointments does an effective job' (PASC, 2014b: 9). This is perhaps, hardly surprising. With an election looming, and an inevitable surge of former ministers already exploring posts in the private sector, the last thing ministers (or senior civil servants) want is an upheaval in the cosy, convenient and permissive system for legitimating business appointments. Accordingly the Prime Minister appointed Baroness Angela Browning as the new Chair for the Committee in 2014. She is a less controversial figure than her predecessor, Lord Lang, who enjoyed a string of business appointments but,

as a former Deputy Chair of the Conservative Party, she may be expected to bring a sympathetic approach to the applications from her Party's ministers for approval of their business appointments (PASC, 2014c).

As it marks its fortieth anniversary Acoba is well past its sell-by date and the control of business appointments badly needs systematic reform. We come back to reform possibilities in the concluding section but first we can clarify the main problem areas.

Self-regulation

The Acoba process bears all the hallmarks of traditional 'old-boy' self-regulation. The Committee has no statutory basis which means that it is merely advisory, ministers and civil servants can ignore its recommendation, it has no system for monitoring whether individuals abide by its requirements, and if they do not, no sanctions are available. The only real sanction is unfavourable publicity and reputational damage but, as the PASC has stressed, this is a partial and perverse mode of enforcement prone to uninformed and sometimes unfair public judgements.

Bias in favour of approval

The Committee itself is drawn from exactly the elites that it is regulating. In Sir Christopher Kelly's words 'they are all members of the tribes to whom they are providing advice' (PASC, 2012: 16). The current Committee thus includes a former Permanent Secretary, a former

Ambassador to the Netherlands and a former Chief of the General Staff as well as three nominees of political parties. There are also two business members, both former bankers. The second business person, appointed in 2012, is Mary Jo Jacobi, an American banker who was George Bush's Assistant Commerce Secretary and is therefore is very familiar with the US revolving door. In an almost satirical twist she was employed at HSBC, at Lehman Brothers and more recently at BP. She is another personification of elite integration.

The Committee are advising on the future careers of friends and colleagues in respect of the sort of appointments that many of them have also enjoyed. And who are they advising? For the most senior positions they are advising the Prime Minister whose own subsequent appointments will also become subject to review by the Committee (Acoba approved Tony Blair's posts as a consultant to JP Morgan and to Zurich Financial Services in 2008). For more junior posts they advise Departmental Permanent Secretaries, most of whom will go down the same route, as will the Cabinet Secretary and Head of the Civil Service. The whole Acoba process is therefore implicated in conflicts of interest.

It may not therefore be surprising that almost all applications are approved. The reports only include those applicants who have been approved and have taken up their appointments so we have no idea of how many are found to be 'unsuitable'. The suspicion is that

the numbers are very small. In the bumper year of 2010, when 53 Labour ministers went through the process, the Chairman remarked that 'no applications from former ministers were considered to be unsuitable' (Acoba Annual Report, 2011: 1). The Acoba secretariat observed in 2012 that Acoba can 'add a rider to its recommendation that it would regard a particular appointment as "unsuitable"; in all such cases to date the applicant has then chosen to withdraw their application' (PASC, 2012, Acoba written evidence) but we have no idea how many cases this has applied to.

Partial coverage

The Acoba process has been expanded to cover SPADs (special advisers) and it covers senior military officers. It does not cover MPs who are not ministers, the NHS or other sensitive senior positions in local government. But the huge defect in its coverage relates to senior civil servants. Its reports deal only with the most senior grades of the senior civil service. Oddly, this defect of the system has not been picked up by the PASC or other critics.

Over the last ten years senior civil service numbers have fluctuated around 4,000 people. In 2011-12 the makeup of this civil service elite was:

table 3 The Senior Civil Service, 2011-12

Pay band	number	median salary
Pay band 1 (Deputy Director)	2,668	73,000
Pay band 2 (Director)	651	98,000
Pay band 3 (Director General)	133	131,000
Permanent Secretary	35	160,000
Total	3,487	

Source: Table 3 RBSS, 2013: 1, 53

The Acoba process only considers and publishes details of leavers from pay band 3 and Permanent Secretaries, this is a very small proportion of the senior civil service. In 2011-12, 637 people left the senior civil service (NAO, 2013: 18), a turnover rate of 17%. Of these only 31 were reported on by Acoba; how many more of these 637 senior civil service leavers took business appointments? Many of the issues surrounding the revolving door will also affect the ranks of Director and Deputy Director. These are key grades

for developing policy, delivering services, making decisions and negotiating contracts. These people are arguably even more attractive to private sector employers than the most senior figures. They have first hand experience and will have dealt directly with commercial decisions. The Civil Service Code requires that they observe the Acoba rules but the reporting and policing goes via their Departmental Permanent Secretary and the process is entirely opaque. Here accountability collapses.

Of that number of 637 departures from the senior civil service in 2011-12 only 70 had retired, the others either resigned or took redundancy packages. The incentives for these slightly lower ranking civil servants to leave Whitehall are underlined by the salaries quoted in Table 3. The

NAO (2013; 23) notes that the freeze on civil service pay has meant that senior officials suffered a real-terms pay cut of 17% between 2009 and 2013. The predictable result is that 'departments indicated an effect on staff retention, with several reporting the loss of high-performing deputy directors seeking better pay'. The Senior Salaries Review Board was also intensely critical of the deterioration in relative pay and of 'a pay system which fails to take account of the wider labour market' (RBSS, 2013: 12) and it reported on its comparison of senior civil service pay with equivalent posts in the private sector. The civil service remuneration at Director level was, it reported, a mere 44% of the private sector comparator. A civil service Director could therefore expect to more than double his or her

Revolving IN: outsiders, consultants, secondments and board members

The practice of outsiders being recruited into government at a senior level, coming IN through the revolving door, is more recent, especially as regards officials. The British civil service was a career service and recruited talented young people who were expected to spend their whole careers working in Whitehall with the corollary that senior positions would almost always be filled by career civil servants. This principle began to break down in the 1990s and outside appointments are now commonplace and encouraged in principle. The legacy of the career system remains and there is cultural, and sometimes personal, tension between the career civil service and late career recruits. Nonetheless 'outsiders', usually from a business background, now fill many of the top positions.

Appointments of business people into government has developed to such an extent, and happened at such senior and sensitive levels, that it substantiates the proposition that the corporate elite has colonised government. Business people have been involved in government through a whole range of devices including advisory committees, task forces and government-private sector partnership bodies (see Beetham, 2011: 15-21) but here we will concentrate on direct employment. Business appointments have been made at the following levels:

- > highest level, ministers from business appointed through the House of Lords
- > appointments as non-executive directors of government departments
- > appointments at the highest levels of the civil service
- > external appointments at more junior levels of the senior civil service
- > extensive use of management consultants
- > use of secondments from companies and professional firms
- > appointment of SPADs (special advisers) often from a business background and who return to business appointments

Box 8: Case Study

KPMG and PwC, access through secondments. In 2009 KPMG provided staff and advice worth £145,000 to Francis Maude to assist the Conservative Party Implementation Team ahead of the 2010 election (his Team received £454,000 in total from six consultancy firms, see Register of Members Interests, December 2009). A similar process is happening before the 2015 election but now PwC is the front-runner. As at January 2015 PwC had provided staffing worth £64,000 to Ed Balls and worth £100,000 to Chuka Umunna (Register, Jan 2015). Margaret Hodge has noted that in total PwC has provided seconded staff worth £540,000 to Labour MPs over the past 18 months, help which she termed 'inappropriate' in the light of PwC's role in promoting tax avoidance (see BBC News website, 6/2/15).

Does this amount to 'colonisation'? Let's consider two examples to establish the gravity of the changes that have taken place almost unnoticed.

Departmental Boards

Since the mid-2000s the upper levels of Whitehall have been remodelled along corporate lines. This is a colonisation by ideas of corporate leadership as well as by people, but let's stick with the people. The new organisational requirements, enthusiastically endorsed by the Coalition, are that every accounting unit within the civil service, including regulatory agencies, must have a 'board' similar to the board of a plc. All boards have 'non-executive directors' appointed from outside the organisation and typically from business. This applies even to government departments where the non-executive directors are almost all senior executives of private sector companies.

These arrangements have inserted literally hundreds of senior executives into government. Those NEDs enjoy access to the most senior decision makers, they gain confidential information about policy and spending, they gain an understanding of how government works, and they have opportunities to inject their own views and priorities into the policy process. This should allow them to contribute constructively to the work of government but the traffic is obviously two-way. It also gives these executives and their companies privileges and advantages.

Departmental boards have been operating now for about five years. The key figure in their imposition has been Lord John Browne, the former CEO of BP who was appointed by David Cameron as the

'lead non-executive director' at the Cabinet Office. He has overseen the recruitment of 68 NEDs across 17 departmental boards (Browne, 2014). At June 2014 there were 14 lead NEDs in post (at a modest salary of £20,000) including:

- > Cabinet Office, Lord Browne, former CEO of BP
- > Department of Communities and Local Government, Sara Weller. Appointed 2011. Former managing director of Argos, NED at Lloyds and United Utilities, Chair of the Planning Inspectorate, member of the HEFCE Board.
- > Department for Education, Paul Marshall. Appointed 2013. Chairman of Marshall Wace hedge fund, Chairman of ARK charitable academy school trust, major donor to the Liberal Democratic Party.
- > Department of Environment, Food and Rural Affairs, Iain Ferguson. Appointed 2010. Former CEO of Tate & Lyle, NED at Balfour Beatty and non-executive Chairman of Stobart. Past President of the Food and Drink Federation which lobbies Defra on a range of food issues
- > Department for Transport, Sam Laidlaw. Appointed 2010. CEO of Centrica until 2014, NED of HSBC
- > Department of Health, Peter Sands, Group CEO of Standard Chartered until 2015, formerly a consultant with McKinsey.
- > HMTreasury, Baroness Hogg, Chair of 3i from 2002, Chair of the FRC from 2010 to 2015, NED at BG Group, P&O and John Lewis (and Eton)

In his final report before stepping down Browne pointed out that NEDs have contributed in a number of ways and 'all departments have a risk and audit committee chaired by a non-executive... in almost every case, non-executives have advised on senior appointments and remuneration' (Browne, 2014: 7). Clearly their role gives these corporate executives real influence within the civil service. Indeed, NED's now have the authority to recommend that Permanent Secretaries be replaced if the incumbent is seen as inadequate. But nowhere in Browne's report does he discuss potential conflicts of interest. It might be felt that the fact that the CEO of Centrica was the lead NED on the Department for Transport Board gave him and his company some advantage in their disputes with OFGEM and DECC over fuel pricing; or subsidies for renewables; or the future of nuclear power; or fracking.

The insertion of these senior corporate executives into Whitehall is little short of amazing but the

curtain on the theatre of the absurd truly rises with the appointment of John Manzoni as the first ever 'Chief-Executive' of Whitehall in October 2014. His role will be to run the civil service, answering to Jeremy Heywood, the Cabinet Secretary and Head of the Civil Service. Mr Manzoni was Group Managing Director of BP until 2007 and a close associate of Lord Browne. He subsequently became CEO of the Canadian Energy Company Talisman and in both roles suffered criticism on health and safety records. Lord Browne was on the appointing committee that placed Mr Manzoni in his novel new post at a salary of £190,000. Lord Browne is famously an enthusiast for fracking and chairs Cuadrilla Resources, the UK fracking company; Mr Manzoni's company was also engaged in fracking. Will they influence government in that direction? Caroline Lucas, Green party MP, certainly thought so and was highly critical of Mr Manzoni's track record and of the appointment (Guardian, 3/10/2014). ■

Business appointments to the senior civil service

The second example concerns the appointment of outside business people to the most senior positions in the civil service. Such appointments have changed the very nature of Whitehall and created a truly 'revolving' door which allows people to enter and leave the civil service, enhancing the corporate elite's ability to colonise government. Concern about outside appointments has arisen from friction with existing civil servants and from debates about whether the civil service should develop its capabilities in house, or by buying in talent from outside. The PASC undertook a major inquiry into the issue and outlined 'fears that core civil service values could be diluted by an influx of outside recruits who do not share the same public service ethos as career civil servants' (PASC, 2010: 3). It pointed out that:

- > over 30% of new entrants to the senior civil service have been 'outsiders'
- > that by 2008 the number of people in post who had been appointed externally was 23%
- > that for the most senior positions – the 'Top 200' – over half were being recruited externally
- > that external appointees were paid on average 20% more than career civil servants
- > that there was little evidence that they performed better than career civil servants

> and that they tended to move on and leave the service quite quickly.

For business people joining the civil service there is a possibility of 'pre-public employment' conflicts of interest. Perhaps more significant is the introduction of a corporate mindset and the extension of a corporate network into Whitehall. Thus in 2009-10 recruits to the most senior positions came from companies such as Diageo, Ernst & Young, ARUP, Siemens, Standard Chartered and Goldman Sachs. Presumably a period in the civil service might make them attractive to future private sector employers.

Recent figures on recruitment into the very top positions in the civil service from the private sector show a continued flow of outsiders. In 2013-14 38% of appointments at the very top (pay band 3) were from outside the service including 14% from the private sector. At the next level down, that of Director General, 57% were outsiders with 30% from the private sector. Taking into account appointees who had joined the civil service from outside at a lower level about 30% of these top leadership positions were taken by people who had 'revolved IN' from the private sector (CSC, 2014: 18-19). The NAO (2013: 17) has noted that these people have tended to go into specialist roles such as IT, property management, finance and procurement.

The transformation in the civil service from a strict career service into a managerial labour market is a great importance. Not only does it bring business executives

into influential posts in Whitehall, it serves notice that the civil service is being subordinated and it has huge symbolic impact. Senior civil servants have to accept business ideas, business models and business influence. If they do not, they are less likely to be promoted and more likely to be ejected from

the service. If their security of career and employment is undermined then they become more tentative in their advice and more hesitant in their opposition to unwise or unfair policies. Their ability to exercise their classic constitutional duty, to restrain ministers, 'to speak truth to power' is seriously diluted. ■

Ministers, SPADs and Consultants

In addition to departmental boards and senior appointments there are a variety of other modes of business influence over government. Many ministers, especially in the Coalition, have long-standing business interests. Ministers such as Francis Maude had strong business links, in his case as an adviser to Barclays, before taking office (OECD, 2009: 41). Non-elected ministers in the House of Lords have included several business leaders, most recently Lord Stephen Green, former Chairman of HSBC who served as Trade Minister from 2010 to 2013 to be replaced by Ian Livingston, former CEO of BT. Another example is Paul Deighton, former Chief Operating Officer in Europe of Goldman Sachs until appointed to run the London Olympics in 2005. He was made a life peer in 2012 and became Commercial Secretary to the Treasury in 2013.

Turning to Special Advisers (SPADS) many of them have come from business backgrounds and certainly go on to take business positions when they 'revolve OUT' of government. By their very nature SPADS have access to the highest level of confidential information and are able to draw on an influential network of contacts. For this reason their post-government appointments come under the Acoba rules.

Finally we can turn to the influence of management consultants. They act as a remorseless conveyor belt of business ideas and models which they import into government through advice, contracts and personnel. Most of the big consultancies, and most obviously the Big-4

accountants, have large public sector practices. Over half KPMG's income is derived from consultancy (HPC, 2014: 12). It is a regular employer of former ministers and officials, its partners have moved into government and regulatory agencies, and it seconds staff into government and into political parties as unpaid advisers.

The 40,000 or so consultants who work in the industry act as the lubricants of the corporate elite through their networks of clients, consultants and alumni, and they extend those elite networks into the public sector. Their leading practitioners are highly talented, persuasive and respected. They write the books that introduce corporate models into government as well as into business and are the shock troops of the business invasion. The Public Accounts Committee examined the use of consultants in 2010 and estimated that the annual spend by central government on consultancy services was about £800m.

Box 9: Case Study

In 2012 **Adam Smith** stepped down as special adviser to the Secretary of State for Culture Media and Sport and was one of six SPADs to take up business appointments that year. In 2013 his appointment as Head of External Affairs at Paddy Power was approved (Acoba, 2014: 81). It could be noted that the Head of External Affairs is effectively the chief lobbyist and that Paddy Power is regulated by the Gambling Commission which is, in turn, controlled by the Department of Culture Media and Sport.

The scale of this spend was really quite extraordinary when compared with total staff costs. The Department of Transport spent 70% of its total staff costs on consultants; the figure for Education was over 50% and for the Home Office 40% (PAC, 2010: Cabinet Office evidence). Those figures fell after 2010 but spending continues at a high level and gives some sense of the importance and influence of management consultants within government. ■

What is to be done?

Proposals for reform of the Revolving Door.

It is universally accepted that interchange between the public and private sectors is necessary and has beneficial aspects. It has the potential to increase the effectiveness of government and of private sector organisations. It can improve public policy-making and service delivery and allows individuals to pursue productive, rewarding careers in both sectors. The challenge is the age-old problem of ensuring that individuals and organisations do not improperly exploit the advantages provided by public office.

Every advanced economy has had to deal with the pathologies implicit in post-public employment. The OECD has been examining the issues for over ten years and has produced guidelines for best practice informed by a major survey of 30 member states (OECD, 2010). The range of possibilities extend from primary legislation backed up by criminal sanctions to the voluntary compliance with codes of conduct. Common elements of control include:

- > a cooling-off period during which post-public employment is prohibited, extending to complete prohibition in especially sensitive areas
- > restrictions on the behaviour of the employee, including, for instance, prohibitions on using confidential information or lobbying government.

- > restrictions on the actions of the new employer in respect of demands made on the employee
- > monitoring of post-employment behaviour and sanctions to punish non-compliance
- > a process and clear criteria for considering appointments and advising, or ruling, on their suitability
- > transparency of appointments, including disclosure of which appointments are taken up and why they are justified
- > an increasing concern with 'pre-public employment' so that public employees are restricted in their dealings with former employers or clients.

All these elements, except the final one, are addressed to a greater or lesser extent through the Acoba procedures. The debate in the UK at present is whether Acoba can be reformed to a sufficient extent to make it effective, or whether more radical reform is required.

The Acoba process has become more rigorous and slightly more open. It publishes more information and has responded positively to some of the criticism aimed at it, but it remains voluntaristic and toothless. Among informed opinion there is complete support for its abolition and replacement with a statutory body. This Report shares that view and endorses the recommendations made by the Public Administration Select Committee in its 2012 Report. The PASC forcefully argued for

the abolition of the Acoba and its replacement with a variant of the Canadian system. This would involve primary legislation and statutory rules on cooling off periods and behaviour in the new appointment. It would establish more formal processes and the creation of a 'Conflicts of Interest and Ethics Commissioner' with statutory powers. The Commissioner might absorb the duties of the Committee on Standards in Public Life and would set up a clear and transparent system with effective monitoring, sanctions and reporting. The Commissioner would be an officer of Parliament and report to Parliament rather than to the Prime Minister (see PASC, 2012, ch. 7 and Annex A).

It is no surprise that the Coalition Government has rejected these proposals (PASC, 2014b, pp.

8-9). As noted above, the Cabinet Office sat on the Report for two years before deigning to reply. But the proposals command great authority and provide a clear set of alternatives which reflect six years of consideration and examination by the Public Administration Select Committee. How likely is real change? The forces arrayed against the creation of a statutory system are formidable, the corporate elite will be determined in its opposition. Those forces are only likely to be overcome if there are massive new scandals (larger than the 'sting' recently conducted against Jack Straw and Malcolm Rifkind, see Dispatches, 2015); or if the 2015 election campaign converts the proposals into something like a manifesto commitment. ■

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