



House of Commons

Public Administration Select  
Committee

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## **End of term report: 2011–12**

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*Written evidence*

## Letter from Mr Bernard Jenkin MP to all Permanent Secretaries, May 2012

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You may recall that I wrote to you last year to ask about the management of the change programme in your department. I was most grateful for your response and it was published in a Committee Report alongside an analysis by Andrew Kakabadse, who acts as Specialist Adviser to the Committee (*Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans for structural reform*, HC 901, Session 2010-12).

This year, PASC would like to develop its examination of civil service reform by ascertaining how you are building capability in support of both your department's strategic aims and the Government's overall strategic aims. In order to limit the extent of your response and the labour involved in its preparation, we are not seeking details about every aspects of your department's work, but only those aspects that you consider to be of strategic significance.

PASC would be very grateful if you could respond to the specific questions set out below:

1. What are the six top strategic objectives of your department in order of priority; and please explain briefly how they relate to the Government's overall strategic aims.
2. What are your three most important departmental programmes in order of priority; and in each case, can you explain briefly how they relate to your six departmental strategic aims, or to the Government's overall strategic aims? (Please specify for which, if any, of those programmes your department is not "lead" department).
3. Arising from your answers above, please provide a list of the most important capabilities your department requires in order to:
  - achieve your strategic aims;
  - deliver your three key departmental programmes set out in answer to question (2); and
  - deliver any key cross-departmental programmes that you are involved in (where another department would regard itself as "lead department").

Please also provide a brief analysis of any skills shortages or deficiencies that you have identified as posing a risk to the successful achievement of your strategic aims and programmes.

We would be very grateful for a response by no later than 5 pm on 22 June 2012. As happened last year, late returns will simply be reported as "no return" for the purposes of our Report and we will continue to press any department that has not replied for a return, however late.

## Letter from Mr Bernard Jenkin MP to Sir David Nicholson, Chief Executive, NHS, May 2012

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I wrote to all Departmental Permanent Secretaries last year as part of the Public Administration Select Committee's (PASC) scrutiny of the government's Whitehall change programme.

As part of its ambition to bring about a "Big Society" the Government has set out a reform agenda involving greater decentralisation of power and enhanced social action at local levels alongside proposals for considerable reform of public services. At the same time the Spending Review commits the Government to a large reduction in departmental administration costs by an average of a third. Except for a fundamental review of arms length bodies the machinery of government has been left largely unchanged. However, the need for profound changes to the size and role of the Civil Service appear implicit in the Government's ideas for a Big Society and as a consequence of spending reductions. This was part of our inquiry into good governance and civil service reform. PASC wanted to obtain a better understanding of the changes which are facing departments at present and how they plan to meet them. I enclose a copy of our report, Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans for structural reform, which was published in July last year.

Given that very similar challenges face the National Health Service, I am writing to you to ask the same kind of questions about the change programme in the NHS, which is subject to a very specific series of radical reforms. In particular PASC would like to know:

- What impact, if any, are the reforms envisaged in the Government's 'Big Society agenda' likely to have on the way the NHS is organised and operates?
- If there are no consequences for the NHS organisational structure as a consequence of the Big Society agenda please explain why this is the case.
- What structural reforms, if any, will be required in the NHS as a result of the reductions in running costs arising from the Spending Review?
- If no structural change is required, what action are you taking to achieve the required reduction in administrative budgets?
- How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives, and timelines?
- What consideration has been given to retaining or acquiring those skill sets—for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action—necessary to deliver the Government's reform plans?
- What lessons do you draw from previous reforms either within your department, from other departments, or from other organisations outside central government?
- Does your reform process involve other government departments or public bodies?

I would be very grateful for a response by no later than 5pm on 22 June 2012. I have discussed this with the Chair of the Health Select Committee, Rt Hon Stephen Dorrell MP, with whom I will share your response.

# Responses from Departments to PASC, June 2012

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## **Letter submitted by the Department for Business, Innovation and Skills**

### **Building capability in support of the department's strategic aims and the Government's overall strategic aims**

Thank you for your letter of 16 May 2012, and for the opportunity to share with PASC some of the ways in which we are building capability in support of both BIS' strategic aims and the Government's overall strategic aims. Below is our response to the specific questions set out in your letter.

#### **1. What are the six top strategic objectives of your department in order of priority: and please explain briefly how they relate to the Government's overall strategic aims.**

Growth is the top priority for both Government and BIS. The Plan for Growth, which BIS and HMT published jointly in March 2011, set out the Government's strategic aim of achieving strong, sustainable and balanced growth that is more evenly shared across the country and between industries. The Plan set out four specific ambitions:

- **to create the most competitive tax system in the G20;**
- **to make the UK one of the best places in Europe to start, finance and grow a business;**
- **to encourage investment and exports as a route to a more balanced economy; and**
- **to create a more educated workforce that is the most flexible in Europe**

The Government has also identified fairness and the promotion of social mobility as key social policy aims; these were set out in the Coalition's Programme for Government and were affirmed by the Minister of State for the Cabinet Office.

The following summary sets out how BIS contributes to the strategic aims. It describes our activities in the context of six of our key objectives.

#### **To make the UK the best place to start, finance and grow a business**

##### **Boost enterprise and make this the decade of the entrepreneur; and rebalance the economy across sectors and across regions**

- This objective relates to the ambition to make the UK one of the best places in Europe to start, finance and grow a business, and to the ambition to encourage investment as a route to a more balanced economy.
- BIS supports this ambition through our work in developing an industrial strategy to maximise new business opportunities and growth in manufacturing and services, our work with Local Enterprise partnerships, promotion of access to finance, and support for investment through the Regional Growth Fund.

##### **Create a positive business environment; and protect and empower consumers**

- We are supporting these ambitions through reforms to the competition and corporate governance frameworks, giving the public and business the opportunity to challenge the worst regulations, and reforming the BIS employment laws framework to ensure a fair, effective and efficient labour market.
- BIS also contributes to the Government's aim of ensuring that those that are poor or vulnerable get a fair deal through our support for consumer advice bodies and planned programme of consumer law reform.

### **To create a more educated workforce that is the most flexible in Europe**

#### **Promote excellent universities and research and increased business innovation**

- Investment in science and innovation creates the knowledge and technologies that businesses can use to create new products and increase their efficiency, providing the UK with the comparative advantage we need to grow.
- The Higher Education sector also makes a vital contribution to growth by providing business with highly skilled workforce they need. As has been reinforced by the Government's recent progress report on the Social Mobility Strategy, Higher Education is also a vital driver of social mobility and BIS is committed to widening participation and promoting fair access.

#### **Build an internationally competitive skills base and promote more opportunities for individuals in realising their potential**

- The Plan for Growth highlighted that a lack of skills is a major contributing factor to the productivity gap with the UK's main competitors, weakening our growth potential.
- Access to high quality training that delivers qualifications that have real value also supports fairness and social mobility, to support these aims we are ensuring that funding for adult education is refocused on those who need it most.

### **To encourage investment and exports as a route to a more balanced economy**

#### **Stimulate UK exports and inward investment**

- BIS is supporting UKTI in implementing its new strategy with its four pathways to growth through improved export and inward investment trade performance. BIS's Export Control Organisation is working closely with the Defence sales Organisation within UKTI to ensure that legitimate military and dual use exports are facilitated.
- Through our joint BIS/DFID Trade Policy team, we are also working to liberalise global trade more widely, both through the EU's ambitious programme of bilateral free trade agreements, and through multilateral and plurilateral liberalisation through the WTO. Continued progress here will make it easier to UK business to access trade and investment opportunities around the world.
- BIS's International education and innovation teams are supporting the efforts to market British higher education and promote our innovation record around the world. Our Europe teams are working to deepen the EU's single market, from which the UK derives major benefits.

- Finally, across BIS, in a range of policy areas from better regulation to intellectual property management, we are supporting the Government's initiative to deepen and strengthen our relationships as a country with the emerging powers.

**2. What are your three most important departmental programmes in order of priority: and in each case, can you explain briefly how they relate to your six departmental strategic aims, or to the Government's overall strategic aims? (please specify for which, if any, of those programmes your department is not "lead" department).**

Growth is the Department's priority and our programmes contribute to this in a wide variety of ways - from the Growth Review which has drawn Government Departments together to identify how they can improve their contribution to growth; to our direct support of initiatives through the Regional Growth Fund; to investments in the research base and innovation which form the foundation of industries of the future; to competition and state aid policy which ensures that markets are efficient.

These and the other policy areas for which BIS has responsibility support growth in different ways and they cannot easily be prioritised; growing businesses need innovation, access to finance, skilled employees, and to be operating in an efficient market, unhampered by unnecessary regulation.

However, considered in terms of Department's planned expenditure over the Spending Review period, BIS's top three major projects, which are identified in the Departmental Expenditure section of the 2012 BIS Business Plan, are:

- Higher Education Programme (relates to the "Promote excellent universities and research and increased business innovation" BIS strategic objective above)
- Further Education Capital Programme (relates to the "Build an internationally competitive skills base and promote more opportunities for individuals in realising their potential" BIS strategic objective above)
- Green Investment Bank (relates to the "Boost enterprise and make this the decade of the entrepreneur; and rebalance the economy across sectors and across regions" BIS strategic objective above)

Internally we have set up an ambitious programme across BIS and partner organisations to deliver £364m savings over the CSR. This programme covers Procurement, Estates, ICT, Shared Services, Finance and HR, and will create a platform for continuous improvement where we can concentrate our good ideas, gain scale and avoid duplication.

**3. Arising from your answers above. please provide a list of the most important capabilities your department requires in order to:**

**a. achieve your strategic aims**

**b. deliver your three key departmental programmes set out in answer to question (2)**

**c. deliver any key cross-departmental programmes that you are involved in (where another Department would regard itself as 'lead department')**

**Please also provide a brief analysis of any skills shortages or deficiencies you have identified as posing a risk to the successful achievement of your strategic aims and programmes**

In response to the strategic challenges outlined above, BIS implemented a radical change programme in 2011 with the aim of making the Department:

- More focused - on Ministerial priorities
- More flexible - with greater team working, less hierarchy and staff ready for the unexpected
- More connected - with partners, other parts of government, stakeholders and with other BIS staff, sharing our knowledge across the Department and partner organisations
- More skilled - developing staff to make full use of our expertise and to build new skills
- Smaller - following the 2010 spending review BIS took a 22% budget cut, which required a significant cut in staff numbers. BIS tackled this rapidly via a restructure, alongside which a total of 561 people left the core Department under exit and redundancy schemes: this was equivalent to around an 18% reduction in headcount.

The Capability Action Plan published by BIS on 28 March 2012 demonstrates the progress and achievements the Department has made in this area, as well as laying out some of the challenges that lie ahead. We will take forward the next phase of our change programme as part of the BIS Continuous Improvement Strategy and Implementation Plan which will be published before the summer. This is being developed alongside a long term workforce plan that will address where we can build capability from within the department and where we need to bring in expertise.

A number of priority skills needs have been identified as part of these exercises. It is essential to maintain capability in these areas if we are to achieve our strategic aims and programmes:

**Commercial expertise** - we are fortunate in the Department to benefit from the commercial expertise within the Shareholder Executive. This has been developed through a flexible resourcing model involving both permanent civil servants and fixed term appointments from the commercial sector. This model provides considerable potential in terms of knowledge and skills transfer across the Civil Service and has been key on programmes such as the Green Investment Bank.

**Programme and project management** - to support a focus on end to end delivery we have developed a specific programme and project management capability and capacity plan which has been endorsed at senior levels (it was EFB/EPB in the previous governance structure). Working in collaboration with the Major Projects Authority we have already enabled the majority of our DGs to become assurance reviewers, PPM has also be the subject of a recent cross BIS awareness raising exercise attended by around 500 staff and we have engaged with the Major Projects Leadership Academy.

**Working with our international partners** - again we have a huge benefit in the expertise available within UKTI and within the internationally focused parts of BIS proper, notably those working on the EU, trade policy, innovation, and higher education. The challenge for us is sharing that expertise throughout BIS, and providing the right development opportunities for staff with the aptitude for this work e.g. our European Fast Streamers. We have specific training opportunities, notably the European Skills Academy, which is

attended by officials from around Whitehall, and the Trade Academy, which focuses on trade policy issues.

**Analytical expertise** e.g. economics and social research - as the department for growth it is key that we embed analytical rigour into all that we do. We are moving to a model where our analysts are embedded within policy teams to ensure that there is a clear evidence base and that we can evaluate the potential impact of change effectively. As with ShEX and UKTI it is also a model which shares expertise throughout the department. This is being complemented by learning & development activity. A BIS wide offer on developing economic literacy was made last year and this is currently being refreshed

**Financial expertise** - we need to ensure that we can make decisions that give the best value for the tax payer, in particular understanding how best we can deliver effective services through alternative delivery models - expertise in commissioning services is a key part of this challenge. We are looking at how we can make better use of the financial skills available across the BIS family as part of the reform of our corporate services to increase our combined capability and deliver efficiencies.

**Secondments and interchange** - we recognise that an understanding of the priorities and concerns of our stakeholders is crucial to effective policy making. Secondments and interchange with the public and private sector as well as across Whitehall are a key part of building this understanding and this is an area we will encourage further going forward.

## **Letter submitted by the Cabinet Office**

### **Cabinet Office aims and capability**

Thank you for your letter to Ian Watmore of 16 May. I am replying as Interim Permanent Secretary.

The Cabinet Office's two main roles are to:

- Act, alongside HM Treasury, as the strategic centre of government, providing leadership to and oversight of the rest of government, coordinating policy and delivery and supporting capability; and
- Deliver specific priorities for the Prime Minister, Deputy Prime Minister and Cabinet Office Ministers.

The *Cabinet Office Business Plan 2012-15* sets out the Department's priorities. They derive from the strategic objectives and structural reforms set out in *The Coalition: our programme for government* and so represent key elements of the Government's overall strategic aims. The Cabinet Office's priorities are to:

- Drive efficiency and effectiveness in government;
- Increase transparency in the public sector;
- Reform our political and constitutional system;
- Build the Big Society; and
- Promote social mobility.

I should make clear that these objectives are not set out in order of relative priority; all are key aspects of the Coalition's programme for government.

The Business Plan also sets out the Department's three biggest projects. They are:

- The National Citizen Service;
- The National Cyber Security programme; and
- The Electoral Registration Transformation programme.

Again, these are not set out in order of priority; they are arranged in order of programmes' whole-life cost.

You asked in your letter about the capabilities we require to deliver our aims. As well as looking at our own capabilities, the Cabinet Office has led the development of the Civil Service Reform Plan, which was published on 19 June. The Cabinet Office will coordinate and drive implementation of the Plan. Sir Bob Kerslake as Head of the Civil Service along with the Cabinet Secretary and Permanent Secretaries are accountable for delivery through the Civil Service Board and oversight will be provided by a Reform Board chaired by the Minister for the Cabinet Office.

One of the major themes in the Reform Plan is building capability – by strengthening skills, deploying talent and improving organisational performance – to ensure the Civil Service delivers the government's priorities effectively. There will be five year capabilities plans for the whole Civil Service, to identify which skills are in deficit, and to set out how gaps will be filled. The first Capabilities Plan will be delivered by autumn 2012.

Some skills gaps have already been identified in the Plan and listed. These include leading and managing change, commercial, financial, programme and project management, digital skills, skills in managing risk and the ability to drive continuous improvement. The Capabilities Plan will take account of the new environment the Civil Service is operating in and will look at both external recruitment and internal development as routes for filling gaps. It will be developed and delivered by the Civil Service corporately while also highlighting Departmental priorities and deficits.

As we now move into the implementation phase of the Civil Service Reform Plan we will be looking at our own skills needs in the Cabinet Office. We have invested considerably over the last few years in our commercial, project management and digital expertise and we will be looking at our remaining skills needs in the light of this. This will be part of the wider audit we need to do of our capability as a department, in line with the new civil service framework for departmental improvement set out in the Civil Service Reform Plan.

### **Letter submitted by the Department for Communities and Local Government**

Thank you for your letter of 16 May. My department's response to the Committee's three questions is set out below.

*1. What are the 6 top strategic objectives of your department in order of priority; and please explain briefly how they relate to the Government's overall strategic aims.*

The Department's core purpose is: Better Government, Better Places and Better Department. We have a clear set of priorities which are set out in our planning documents. Our 9 policy priorities are all concerned with securing the Government's top aims of

improving economic growth, reducing the deficit and decentralising power and we have 3 corporate priorities to enable us to deliver on these policy priorities.

Our 9 policy priorities are:

- Delivering on our Better Government core purpose: Implementation of the Localism Act; Local Government Resource Review; Community Budgets and Fire;
- Delivering on our Better Places core purpose: Housing Strategy; Local Growth; Planning; Troubled Families; and Integration.

*2. What are your 3 most important departmental programmes in order of priority; and in each case, can you explain briefly how they relate to your 6 departmental strategic aims, or to the Government's overall strategic aims? (Please specify for which, if any, of those programmes your department is not "lead" department).*

Our departmental programmes support the delivery of our priorities as shown in our Business Plan.

There are a large number of specific housing programmes given the complex nature of the issues we are addressing. The recent housing strategy sets many of these out in detail. These include NewBuy and Get Britain Building, the Affordable Homes Programme and Empty Homes Programme.

On growth, our focus is on creating the conditions for local growth, particularly through local empowerment (through the measures in the Local Government Finance Bill) and the removal of barriers to growth. The Regional Growth Fund (administered by the Department for Business, Innovation and Skills) and Growing Places Fund are a particular focus at present as they are instrumental in helping Enterprise Zones and Local Enterprise Partnerships to generate new jobs.

We are also providing funding for Troubled Families co-ordinators and a payment by results scheme for local authorities to get children back into school, reduce youth crime and anti-social behaviour and put adults on a path into work.

The department is also the vehicle through which funding reaches local government and the department's role is to decentralise and to de-ring-fence this funding to enable Local Government to make local decisions on how best to deliver on its priorities.

*3. Arising from your answers above, please provide a list of the most important capabilities your department requires in order to:*

- a. achieve your strategic aims;*
- b. deliver your 3 key departmental programmes set out in answer to question (2); and*
- c. deliver any key cross-departmental programmes that you are involved in (where another department would regard itself as "lead department").*

The Department has recently published our Capability Action Plan (31 May 2012, <http://www.communities.gov.uk/corporate/about/howwework/corporatereports/reportsaccounts/capability-review/>), which sets out our plans to further develop our capabilities and also highlights those areas which pose a challenge to the Department. In summary, our top 5 identified capabilities to deliver our strategic aims and key departmental programmes are focused on:

- further developing our influencing capabilities (including through our localities function);
- using innovative approaches to policy making and delivery;
- articulating a clear, compelling core purpose, which drives our business and that staff have a clear line of sight to in their individual objectives;
- ensuring that our staff are able to access meaningful learning and development opportunities; and
- continuing to strengthen our leaders and leadership team.

All of these highlighted capabilities are also important in delivering the key cross-Departmental programmes that DCLG is involved in, for example in working with BIS on local growth, working with DWP in delivering welfare reform, and working with the Department of Health on adult social care.

### **Letter submitted by the Department for Culture, Media and Sport**

Thank you for your letter of 16 May seeking views on how we are building the capability to deliver against both the department's and the Government's strategic objectives. Answers to the specific question you posed in your letter are set out below.

### **What are the six top strategic objectives of your department in order of priority; and please explain briefly how they relate to the Government's overall strategic aims.**

The Department's updated Business Plan, published at the end of last month, groups our structural reform priorities under the following five strategic priorities:

Deliver the 2012 Olympics and Paralympic Games;

Create a sporting legacy from the Olympic and Paralympic Games

Create the conditions for growth

Boost the Big Society and strengthen cultural organisations

Facilitate the delivery of universal broadband and improved mobile coverage

In addition to these priorities we have a number of other major responsibilities. These include ensuring accountability to parliament for the money we spend, supporting innovation in the arts while protecting the nation's cultural heritage, and playing a key co-ordinating role across Government in supporting major events such as the recent celebrations to mark Her Majesty the Queen's Diamond Jubilee.

The biggest immediate challenge the department faces is delivering a safe and successful Olympic and Paralympic games, the largest peacetime logistical operation this country has ever faced.

Beyond this the Secretary of State has been clear that he expects us to continue to deliver against all of the other objectives in our Business Plan.

Annex A to the Business Plan sets out how our structural reforms contribute to wider Government priorities, in particular the drive to grow the economy.

Alongside this, we are also committed to an ambitious four-year Change Programme (2010-14) to enable us to reduce the Department's administration costs by 50%. We have made considerable progress on this work to date, reducing our core Senior Civil Service by more than 50%, introducing flexible resourcing across the entire organisation to allow us to match resources to our top priorities, and bearing down on our non-pay costs.

**What are your three most important departmental programmes in order of priority and in each case can explain briefly how they relate to your six departmental aims, or to the Government's overall strategic aims?**

As set out above, our most important programme remains the delivery of the Olympics.

After this our most significant financial investment is on meeting our commitments to deliver the best superfast broadband network in Europe by 2015 where there are three distinct programmes of work:

A £530m investment during the current Spending Review period to stimulate commercial investment to roll out high speed broadband in rural communities;

An investment of £150m to create a number of 'super-connected cities' across the UK;

An investment of up to £150m to improve mobile coverage in the UK for consumers and businesses that live and work in areas where coverage is poor or non-existent.

We will also continue to prioritise the Secretary of State's other key projects. These include:

The implementation the measures set out in the statement of the Government Tourism Policy we published last year, which will help the industry maximise its contribution to economic growth;

The implementation of the Youth Sport strategy that we published in January of this year and establish the School Games as an annual event, both of which are key elements of our Olympic and Paralympic Games legacy plans;

The creation of a network of new Local TV stations and efforts to increase philanthropic giving in the cultural sector, both of which are part of efforts boost big society.

**Please provide a list of the most important capabilities your department requires in order to**

**Achieve your strategic aims;**

**Deliver your three key departmental programmes set out in answer to question (2); and**

**Deliver any cross-departmental programmes that you are involved in (where another department would regard itself as "lead department)**

As we set out in the DCMS Capability Self-Assessment we published in April of this year, we are at a time of real transition for the Department.

A significantly different economic climate and the machinery of government transfer of responsibility to DCMS for broadband and telecommunications have led to an increased focus on our contribution to economic growth, while still keeping our strong commitment to the wider value our sectors add to national and community life. At the same time, the need to reduce our administration costs means that the way we work has already changed and needs to keep changing to keep up with our current and future priorities.

Our approach to the 2012 Games has paved the way for our future approach: identifying those interventions which can best generate major change, focusing resource in these areas of work, and withdrawing once change has been established on a sustainable footing. Alongside this, we will need to continue to discharge our core, statutory duties with increasing levels of efficiency.

One of the things we identified through our Self-Assessment was a need to build an increased economic focus – developing and extending economic skills throughout the Department to support our contribution to the Government’s top priority of boosting economic growth.

We also set out plans to build a clear development offer for our people that will include giving people the skills to work with and through a wide network of partners (both within Whitehall and beyond) to deliver on the Government’s most important agendas.

A key element of this will be ensuring that people have strong project and programme management skills. As the self-assessment recognised, the Department has some real strengths in this area and we already has a strong focus on delivery that is supported by innovation and flexibility.

To maintain this, however, as we become a smaller Department we need to go further, standardising our approach across the department and sharing good practice. We also need to continue to build the capacity of the organisation to use continuous improvement techniques to deliver real efficiencies across the business as a whole.

We recognise that a key challenge is to ensure that we maintain a highly-skilled group of staff with a broad range of expertise and experience that can be brought to bear flexibly to our priorities. We recognise that a small department may not offer the opportunity for staff to gain the breadth of experience across policy, operational and delivery roles. We are therefore developing a new programme to secure secondment opportunities for our staff in the wider public and private sectors. This programme will give people the opportunity to gain experience in areas that DCMS cannot offer and make sure that the Department makes best use of these new skills on their return.

We are also keen to maintain the regular inflow of people on loan or secondment into the Department who bring additional expertise and experience we need to deliver our priorities and provide valuable opportunities for our staff to learn from working alongside them. We have already benefitted from this approach on the Olympics and broadband programmes.

On top of this, we already have in place a very popular series of ‘masterclasses’ through which colleagues share their particular expertise with each other with a view to continuing to upskill all our staff.

### **Letter submitted by the Ministry of Defence**

Thank you for your letter of 16 May asking for information on how we are building capability in support of the Government and MOD’s strategic aims, in the context of your examination of civil service reform. We have sought to answer your questions below, but you will appreciate that the nature of defence business and the deep integration of the civil service and Armed Forces across the MOD means that we cannot answer some of your questions solely by reference to the civil service.

**1. What are the six top strategic objectives of your department in order of priority, and explain briefly how they relate to the Government's overall strategic aims.**

Our top strategic objectives are set out in our Business Plan for 2012-2015, which we published on 31 May. This is available on the MOD website<sup>1</sup> (link in footnote), but I attach a copy for convenience. This sets out our vision to deliver versatile, agile and battle – winning Armed Forces, working effectively with each other, directed and supported by a professional Ministry of Defence, with people ready to lead, accept responsibility and spend wisely, protecting our security in a changing world. Within that context, our priorities are:

- to succeed in Afghanistan – the main effort for the MOD – by creating security and stability in Afghanistan and training members of the Afghan National Security Forces (ANSF) to help the Afghans to provide their own security in the future;
- to continue to fulfil our standing commitments, including strategic intelligence, the strategic nuclear deterrent, defence against direct threats to the UK and its overseas territories, counter-terrorism and military aid to the civil authorities;
- to succeed in other operations we are required to undertake at home and overseas by providing defence contributions to UK influence, projecting power strategically and through expeditionary operations, providing security for stabilisation, and providing a defence contribution in support of other departments (which includes our substantial contribution to the Olympics and Paralympics);
- to transform Defence by:
  - **Restructuring the Armed Forces and their capabilities** by implementing the Strategic Defence and Security Review (SDSR), including re-building the Armed Forces Covenant and developing a New Employment Model for the Armed Forces;
  - **Implementing the new Defence Operating Model** following the Defence Reform Review to create a simpler and more effective organisation and deliver significant reductions in running costs; and
  - **Delivering Defence in the most effective, efficient and sustainable way** by meeting benchmarking, efficiency and sustainable development targets.

The Foreword of the Coalition Partnership Agreement sets out as the first duty of government to safeguard our national security and support our troops in Afghanistan and elsewhere. Transforming Defence, our highest priority after operations, is the programme of work we are taking forward to deliver the Armed Forces we judge we will need for the future and reflect the Government's structural reform priorities in Defence within the context of its overarching strategic priority to reduce the deficit.

**2. What are your three most important departmental programmes in order of priority; and in each case, can you explain briefly how they relate to your six departmental strategic aims, or to the Government's overall strategic aims? (Please specify for which, if any, of those programmes your dept is not 'lead' department).**

In the context of Defence we understand 'departmental programmes' to mean our key top level areas of business in terms of scale and long term significance. As such, our three most

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1 [http://www.mod.uk/NR/rdonlyres/E230F167-8B95-4178-9393-AC3F588A583A/0/mod\\_bp\\_2012\\_2015\\_p1.pdf](http://www.mod.uk/NR/rdonlyres/E230F167-8B95-4178-9393-AC3F588A583A/0/mod_bp_2012_2015_p1.pdf)

important programmes are Afghanistan, maintenance of the strategic nuclear deterrent, and Transforming Defence.

### **Afghanistan**

The campaign in Afghanistan remains the Defence main effort and our highest priority, as reflected in the Coalition Partnership Agreement and our Business Plan. UK policy on Afghanistan is set by the National Security Council. Our aim is to ensure that the threat of terrorism to UK national security from Afghanistan no longer requires the deployment of UK combat forces, and to this end we continue to play a key role in the NATO-led International Security Assistance Force. To achieve this we are focused on combating the insurgency and building the capability and capacity of the Afghan National Security Forces to enable them to take on full responsibility for security provision by the end of 2014.

### **Nuclear Deterrence**

The maintenance of a minimum credible nuclear deterrent as the ultimate guarantee of our national security is set out in the Coalition Partnership Agreement. While this represents a relatively small proportion of defence effort compared to Afghanistan and Transforming Defence, its fundamental contribution to national security means it remains one of our highest priorities. This is reflected as one of the priorities in our Business Plan.

### **Transforming Defence**

The SDSR in 2010, the follow up announcements on Defence Reform, the Basing Review, the Reserves and the Three Month Exercise in 2011 and the balancing of the Defence Budget this spring have set out our key transformation objectives. These will deliver and support the defence capability (Future Force 2020) the National Security Council concluded in the SDSR we required for the future within the resources available for Defence in the 2010 Comprehensive Spending Review reflecting the Government's strategic priority to bring the deficit under control. They are encapsulated in the Defence Board's new Defence Vision announced in parallel with the balancing of the defence budget:

- Battle-winning Armed Forces, smaller than before but able to reach across the world and operate across the spectrum from high-intensity combat to enduring stabilisation activity, who work with each other and with allies, equipped and trained for their task, their families well supported, trusted to shape their own future and manage their own resources within Defence;
- A smaller, more professional Ministry of Defence that supports Ministers in setting clear priorities for the outputs required of the Armed Forces and the Department, and holding them to account for meeting them; supports the Armed Forces deliver what they are tasked to do; and reports honestly and openly to Parliament and the public;
- A hard-headed approach to what we can afford, now and in the future, getting the most value we can from each pound of taxpayers' money.

We are making this happen in a coherent way through the Transforming Defence programme, overseen personally by the Secretary of State supported by the Defence Board. This is our highest priority after operations, and is so reflected in our business plan. Our aiming point is the creation of Future Force 2020, the product of *Transforming our Armed Forces* into the 2020s, so Transforming Defence is a decade-long campaign. But to deliver Future Force 2020 successfully we also need to transform how the MOD works. So

*Transforming our Department* – fully-empowered Commands (including the new Joint Forces Command) held to account by a strategic Head Office and supported by professional enabling and acquisition organisations – need to be in place by April 2014. This is as much a behavioural challenge as it is a structural one, so *Transforming our Behaviours*, will be an equally strong campaign between now and April 2014. Transforming Defence thus involves contributions from a large number of programmes and projects across defence to deliver the maximum defence capability we can with the resources available. Each programme in the Portfolio has a Senior Responsible Owner. The Director General Transformation and Corporate Strategy oversees and drives these programmes using a portfolio management approach to ensure they are taken forward coherently and delivered effectively. This is subject to external scrutiny under the Gateway process.

**3. Arising from your answers above, please provide a list of the most important capabilities your department requires in order to:**

- a. **Achieve your strategic aims;**
- b. **Deliver your three key departmental programmes set out in answer to question (2); and**
- c. **Deliver any key cross-departmental programmes that you are involved in (where another department would regard itself as ‘lead department’).**

To achieve our objectives the MOD must be able to:

- work across Government and with key allies and partners to ensure a secure and resilient UK and to shape a stable world;
- maintain flexible, agile, battle-winning Armed Forces with the right equipment, the right people, the right training and the right support;
- support Service personnel and their families, Reserves, veterans and civilian staff; and
- transform itself to meet the challenges of the future through a simpler, more effective organisation that lives within its means.

We require a wide range of capabilities to achieve our strategic aims and deliver our key programmes. The MOD is arguably the most complex single organisation in the public sector. In addition to the specialist military capabilities required to recruit, train, operate and command the Armed Forces, we require the policy and financial management capabilities common to all departments, and specialist security, scientific, engineering, analytical, commercial, logistic, information systems and programme and project management capabilities to procure, support and operate military equipment and the defence estate in a safe and sustainable way. Supporting the Armed Forces also requires us de facto to be able to discharge the functions of a local education authority, a primary care trust, a hospital trust, local authority social services and housing departments and a local Police Authority, with the added complication of working across a near-global footprint. These capabilities are provided using an integrated combination of military and civilian personnel.

Within that context, certain capabilities are particularly important for Afghanistan, the deterrent, and Transforming Defence:

## Afghanistan

Acquisition, logistics, medical and commercial capabilities are an essential part of sustaining the military operation in Afghanistan. This includes: acquisition of new and bespoke equipment (such as the FOXHOUND Light Protected Patrol Vehicle that is now in use in theatre) through the Urgent Operation Requirement process to meet emerging threats and requirements; management of a substantial and complex logistics operation to ensure that personnel are safely and effectively deployed in and out of theatre and provided with the infrastructure and supplies they need to live and operate successfully; and provision of specialist medical facilities, both in theatre and back in the UK. We also need to be able to deploy a number of civil servants (currently about 180) into theatre to support operations in a range of roles, including as advisors and mentors to help develop the Afghan security institutions in Kabul.

## The Deterrent

Specialist acquisition capabilities are required to procure and support nuclear-powered submarines, and engineering capability to safely operate and maintain nuclear reactors at sea enabling the Royal Navy to deliver continuous at sea deterrence. In addition, specific scientific and engineering capabilities are required to safely design, build and maintain the nuclear weapons themselves and specialist transport and security capabilities to ensure their safety and their secure storage and transportation.

## Transforming Defence

Transforming Defence embraces almost every aspect of the department's non-operational activity. In that sense its successful delivery requires the full range of capabilities required to deliver defence. But as a strategic change programme it requires in particular a high level of business leadership; good communications; portfolio, programme and project management skills; and effective financial and commercial management. Its significant behavioural change component and the substantial military and civilian personnel reductions within the programme also place a premium on our military and civilian HR capabilities. The Departmental Capability Review programme provides challenge and support from within Government, and the Institute for Government is providing an expert external perspective.

### **Provide a brief analysis of any skills shortages or deficiencies that you have identified as posing a risk to the successful achievement of your strategic aims and programmes.**

As the NAO noted in its recent report on *Managing Change in the Defence Workforce*, we have good information on our military skill sets and a process in place for monitoring skills areas where there is insufficient trained personnel, known as pinch points. This can reflect a shortage of people against the peacetime requirement, a temporary operational requirement greater than the peacetime requirement, or a combination of the two. Pinch Points are managed by the individual Services. Each maintains a list reflecting operational commitments and manning levels within branches and trades, which varies over time. We report on these routinely, including to the House of Commons Defence Committee in the Annual Report and Accounts. As part of SDSR, all three Services conducted scenario modelling to assess the impact of various options to reduce headcount on Force structure and sustainability, linked to the capabilities we plan to have in the future and the scale of our ambition set out in the SDSR, so we also have a good understanding of the military skills we require in the future. We explicitly excluded certain skills sets from the redundancy programme, such as trained pilots, Royal Navy submariners and Army bomb disposal experts, to ensure we do not lose skills we will require in the future.

We are acutely aware that our understanding of our civilian skill set is not as robust, and I highlighted this as a major risk in my Statement on Internal Control in last year's Annual Report and Accounts. Quantifying our future skills requirement within the context of Transforming Defence and the reduction in the department's size is a particularly complex challenge. We are introducing a Workforce and Skills Planning process across the department which will help refresh our data holdings on civilian skills, identify requirements and focus future investment. To support this work our analysts are developing a civilian manpower model to support workforce planning in the future. We are already aware of certain areas where we do not have sufficient skills, and have taken steps to retain those skills under the civilian voluntary release scheme.

As part of the new Defence Operating Model, we will place greater emphasis on recruiting and developing people with the right skills and expertise in professional streams. These will include (but not be limited to) commerce, infrastructure, acquisition, finance and HR, as well as more traditional Civil Service skills such as policy and secretariat. We are developing an integrated talent management strategy for civilian staff, aligned with the talent management principles endorsed by the Whitehall Senior Leadership Committee for the most senior posts across the Civil Service. Those are built around the four key competences in the Civil Service Leadership model, and the strategy will be used to target groups for development to fit them to occupy key posts in the future. In parallel, we are reviewing our corporate development schemes to ensure they will generate the talent we require to meet the Department's needs.

That talent management strategy will be complemented by a new skills strategy to deliver the people with the right skills to meet the Department's needs now and in the future. This will be based on workforce planning and encompass our development schemes, reward and recognition arrangements, recruitment and release programmes, and the targeting of our training investment.

Within that context we have a number of initiatives underway to improve certain key skills:

- Strong leadership and the ability to manage complexity are crucial if we are to succeed in our objectives. The Defence Academy has recently created the Centre for Defence Leadership and Management to provide a focus for training in leadership and management skills, and we working to make full use of the range of leadership and management training interventions offered by Civil Service Learning;
- We are working to ensure Senior Responsible Owners have the skills they require to oversee their programmes. We are also making use of the cross-Whitehall Major Projects Academy;
- We have a well-subscribed finance e-learning package, the Financial Skills Certificate, and a highly-regarded short course, the Defence Strategic Finance Programme, for senior staff (Grade 6 and the SCS, and their military equivalents);
- We have in place a Programme Management Development programme for our civilian and military staff. This is a continuous professional development programme for personnel of all grades wishing to develop project management skills and attain professional Project Management qualifications. The aim is to educate and develop individuals in project management to improve the management and delivery of all types of projects within the set performance, time, cost and integration criteria throughout the MOD.

Where appropriate we are also looking at bringing in skills from the private sector. In particular, Defence Business Services is now working with a strategic partner to inject expertise, tools and processes. The Defence Infrastructure Organisation and Defence Equipment and Support are also exploring how best to inject private sector expertise.

### **Defence Business Services**

We have contracted with SERCO to run the Defence Business Services organisation that provides transactional support services across defence. The company is essentially providing the CEO and executive functions, and delivering services against a series of stretching Key Performance Indicators and standards, and is contracted to transform the organisation to deliver best in class services at a significantly lower cost. The contract is on a “no win no fee” basis. In essence, Serco get paid entirely on the basis of the transformation of the organisation and lowering the cost. At the end of the four years the organisation will be handed back to the MOD at best in class standards .This will inject the capacity and capability necessary to deliver best in class services with almost no risk on the part of the MOD.

### **Defence Infrastructure Organisation**

As part of its transformation plan the new Defence Infrastructure Organisation, which is responsible for the majority of infrastructure projects, estates and property management, is pursuing the option of bringing on board a Strategic Business Partner to help deliver the change required and provide access to high quality skills around the effective management of estates and facilities contracts.

### **Defence Equipment and Support (DE&S)**

The Materiel Strategy work being taken forward by Bernard Gray, the Chief of Defence Materiel, has identified five key skills areas that require suitably qualified and experienced professionals:

- **Commercial:** A Commercial Skills Strategy sets the requirement for commercial awareness, skills and professional qualifications, and we have set up a commercial graduate programme;
- **Finance:** DE&S externally recruited 93 graduates under its Trainee Accountants Development scheme from 2005-2010. MOD's Finance Skills Strategy provides guidance to all MOD staff on financial awareness, skills and qualifications required;
- **Programme and Project Management:** An extensive range of training opportunities are available leading to professional qualifications. Competences are defined and called for in external job adverts;
- **Engineering:** The Defence Engineering Science and Graduate scheme recruits about 80 graduates a year, who go through a two year structured programme. Professional specialist skills are rewarded with recruitment and retention allowances;
- **Logistics:** Our Logisticians receive a range of classroom-based training when moving into specialist roles, in addition to which there is a coaching scheme and opportunities to learn from commercial logistics providers.

Independent analysis and benchmarking of our existing capability in each of these areas has identified significant room for improvement, in particular by adopting up to date consistent processes across the organisation.

We are now looking at several models for the future of DE&S to increase management flexibility, and bring in an injection of skill from the outside. In the meantime, we are identifying critical posts which need to be filled quickly to ensure that DE&S continues to deliver its outputs safely and professionally in the near term.

### **Letter submitted by Department for Education**

Thank you for your letter of 16<sup>th</sup> May requesting information on how my Department is building capability in support of our strategic aims and those of wider Government.

The Department for Education has a strong and clear overarching vision: that of a highly-educated society in which opportunity is more equal for children and young people no matter what their background or family circumstance. We will achieve this vision through a focus on five, high-level strategic aims which are mutually reinforcing:

- Raising standards of educational achievement;
- Closing the achievement gap between rich and poor;
- Reforming the schools system;
- Supporting all children and young people, particularly the disadvantaged; and
- Improving the effectiveness and efficiency of the Department.

The achievement of these is integral to the Government's overall strategic aims on economic growth, social mobility and the decentralisation of power. A well-educated society is key to this country's future economic success and we are focused on reducing the gap in outcomes which exists for the most disadvantaged in our society, as well as freeing-up frontline professionals to make decisions without interference from Government.

The DfE has set out one of the most ambitious reform programmes across government. At its heart is the creation of an autonomous schools system that put teachers and school leaders firmly at the heart of school improvement. This is being achieved through the rapid expansion of the Academies programme and introduction of new Free Schools, alongside other vital priorities for achieving our overall aims, including increasing teacher quality; reforming the curriculum and qualifications; introducing the pupil premium; and extending free early education to less-advantaged two-year olds.

Our recent Departmental Capability Review, published in December 2011, set out the capabilities the Department needs to deliver on these aims. The Review recognised three broad delivery challenges facing the Department:

- Delivering a complex reform agenda for the education system and children's services;
- Continuing to shape the Department's structure and delivery mechanisms to support the ambitious reform agenda effectively; and

— Managing the change in senior leadership and maximising the opportunities this opens up.

While recognising the Department's adaptability, leadership capability and strengths in policy-making and implementation, to meet these challenges and deliver against new priorities, the Review recognised opportunities to improve. Work to develop a cross-Departmental narrative on success, build greater common purpose with partners and stakeholders and improve prioritisation, planning and understanding roles in the new system have all been taken forward through the Department for Education's Change Programme since January.

The Department's response in July last year to your Committee's report on *Good Governance and Civil Service Reform* referred to our Arms Length Bodies Reform Programme. In April this year, the Department launched three new Executive Agencies, (the Education Funding Agency, Teaching Agency and National College for School Leadership), adding to the Standards and Testing Agency, which opened in October 2011. The arrival of the new agencies means the DfE is now an organisation of circa 4,000 staff, a large proportion of whom are working on operational delivery. This provides both challenges and opportunities for the way we operate.

On Tuesday, I and the Secretary of State announced, to coincide with the Civil Service Reform Plan, a Review of the DfE. This will focus on how we prepare our organisation to continue to deliver Ministers' priorities, and support delivery of the strategic aims of wider Government, even more efficiently and effectively. One strand of this Review will look in detail at the Department's capabilities, with a view to addressing any gaps and developing the skills we need for the future. The Review is scheduled to report in the autumn, and I would be happy to share the findings with your Committee in due course, should you find that helpful.

### **Letter submitted by Department for Energy and Climate Change**

Thank you for your letter of 16 May regarding the priorities of my Department. I am sorry that we were not able to respond in time to meet your deadline, but hope that this response is still of help.

#### **Strategic objectives**

DECC was created to address two major risks facing the UK – the risk of a shortfall in affordable energy supplies, and the risk of economic, health and environmental impacts from dangerous climate change.

The Department has set out four top strategic objectives in its published Business Plan. These are to:

- Save energy with the Green Deal and support vulnerable consumers
- Deliver secure energy on the way to a low carbon energy future
- Drive ambitious action on climate change at home and abroad
- Manage our energy legacy responsibly and cost-effectively

All of these objectives make an important contribution to the Government's wider goals. Secure supplies of energy are fundamental to the operation of our economy, and our efforts

to save energy and support vulnerable consumers help to save money, ease the pressure on households, and promote economic growth.

Acting on climate change is a central part of the Government's commitment to be the greenest ever, and strongly in the UK's long term economic interests, with the evidence showing clearly that the costs of tackling climate change are significantly less than the costs we would face if it is allowed to happen un-checked. Finally, managing our energy legacy cost-effectively is a key part of any Government's basic responsibility to ensure public safety and security.

### **Departmental programmes**

In support of these objectives, we have a portfolio of interrelated programmes of which the top ten, monitored at Departmental Board level are:

Green Deal

New nuclear

Carbon capture and storage

Renewable energy

International climate change

Fuel poverty

Smart meters

Electricity market reform

Carbon budgets

Nuclear decommissioning and security

These are all led by DECC, but many of them involve important cross – Whitehall partnerships with a range of Departments including (but not limited to) Department for Communities & Local Government, Department for Business, Innovation & Skills, Department for Transport, Department for Work & Pensions, Department for International Development, Department for Environment, Food & Rural Affairs, Ministry of Defence, Foreign & Commonwealth Office, Cabinet Office, HM Treasury and the Devolved Administrations. We also contribute significantly to other Departments' priorities on which we are not the lead department, notably on the growth agenda.

The logic connecting DECC's main programmes is set in some detail in the Carbon Plan, published in December 2011 which set out a three phase strategy encompassing decarbonisation and energy security goals, divided into three broad phases:

- **Phase 1: Complete and prepare** – From now to 2020, focus on completing “quick wins” like cavity wall insulation, and preparing for the future through innovation support and building markets
- **Phase 2: Mass deployment** – In the 2020s and 2030s, moving to large scale deployment of key technologies such as low carbon heating and electric vehicles

- **Phase 3: Finalising** – From 2030 onward, tackling “harder to decarbonise” sectors such as industry and aviation

Within our portfolio, there are two programmes that we would see as especially key and as our current top priorities:

- **Electricity Market Reform** – The current market arrangements have served the UK well and delivered some of the lowest energy prices in the EU, but they need to change if we are to replace ageing energy infrastructure and successfully move to low carbon electricity without compromising the security of our energy supplies, and do so at least cost. Our Electricity Market Reform programme will enable us to do that, and create the conditions for the private investment our energy system needs.
- **The Green Deal** – In the current economic circumstances, it is essential that we help consumers and businesses to save money, and energy efficiency measures are a cost effective way of doing this, helping to free up spending power and increase productivity in a way that supports economic growth. The Green Deal financial mechanism eliminates the need to pay upfront for energy efficiency measures and instead provides reassurances that the cost of the measures should be covered by savings on the electricity bill.

### **Capabilities the Department requires**

In order to achieve our strategic aims and deliver on the Department’s top priorities, there are some key capabilities that we require. Our recently published Capability Action Plan found that DECC has made good progress since its first Capability Review in 2009, and has begun the work of making the transition from being a policy focused Department to one much more centred around delivery. The review commented that DECC has “*addressed these challenges with vigour and focus and laid a firm foundation for what is required. At the same time it has taken some bold policy decisions and won recognition not only in the UK but also internationally for its innovative policies. It has the benefit of real passion and commitment among its staff*”.

In terms of the Department’s skills, the Capability Action Plan recognises that while DECC has made some important progress since 2009, the changing nature of its work means that there are still some skill sets that need to be built up within the Department. We have begun this process, and over the last few years have recruited and trained a stronger cadre of staff with commercial, customer insight, engineering and project and programme management expertise. However, we still need to develop a stronger base in many of these skills and the Capability Action Plan, of which I am attaching a copy, sets out our plans to do so.

I hope this information is helpful. I do apologise for the delay in providing it. Please let us know if there is any more we could usefully provide.

## Letter submitted by the Department for Environment, Food and Rural Affairs

Thank you for your letter of 16 May regarding the Public Administration Select Committee's examination of civil service reform and how departments are building capacity in support of both departmental strategic aims and the Government's overall strategic aims.

As part of our change programme, we have recently put a number of measures in place to strengthen our strategic direction and capability to deliver. For example, we have introduced a new Statement of Purpose for Defra, to help articulate clearly at a strategic level what the Department is for.

### **Growing a green economy, protecting our natural resources**

The Department for Environment, Food and Rural Affairs (Defra) is about our quality of life and the natural resources – such as air, water, soil, plants and food – that we need now and in the future.

The issues Defra deals with affect people locally, nationally and internationally. We promote efficient business, protect communities from flooding and help rural communities to thrive.

In all of our work we strike the right balance between economic, social and environmental goals, for a sustainable future.

## **What are the top six strategic objectives of your department in order of priority; and please explain briefly how they relate to the Government's overall strategic aims.**

The Department has five high-level objectives<sup>2</sup> that are set out in our departmental business plan<sup>3</sup>, which is updated annually.

### Coalition Priorities:

- Support and develop British farming and encourage sustainable food production
- Enhance the environment and biodiversity to improve quality of life
- Support a strong and sustainable green economy, including thriving rural communities, resilient to climate change

### Major Responsibilities:

- Prepare for and manage risk from animal and plant disease
- Prepare for and manage risk from flood and other environmental emergencies

The Government's top priorities of reducing the budget deficit and supporting a strong, sustainable and growing economy are embedded throughout our work; for example, in our plans to live within the SR10 spending limits, which involve an overall budget reduction of 30% by 2015. Our strategic approach is to protect front line services as much as possible, to prioritise capital investment on essential infrastructure, particularly flood and coastal

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2 [Defra - What we do](#)

3 [Defra Departmental Business Plan](#)

erosion schemes and through programmes to improve productivity and efficiency, both in the core Department and in our executive agencies, non-departmental bodies and other arms length organisations.

Defra plays an important role in growing a green economy. The goods and services provided by the environment are key to sustainable economic growth both here and overseas. The market for greener goods and services is already significant and is growing strongly: the low-carbon and environmental goods and services sector was estimated to be worth £3.3 trillion globally in 2010/11. The UK share of this global turnover was £122.2bn including activity in the wider supply chain – the 6th largest in the world – with nominal turnover expected to grow at around 5% per year for the next four years. UK employment in this sector was estimated at almost 940,000 people in 2010/11 including supply chain jobs<sup>4</sup>.

A recent Defra report estimated that there are £23bn of savings available to UK businesses who undertake low- or no-cost resource efficiency measures<sup>5</sup>. The Waste Resources Action Programme (WRAP) aims to save businesses, consumers and the public sector £1.9bn, and 7 million tonnes CO<sub>2</sub> equivalent by 2015. Government also announced in the Autumn Statement that it will increase by up to 200 the number of mid-sized businesses benefiting from resource efficiency schemes including voluntary agreements, resource efficiency loan funds, supply chain partnerships and access to business support.

An important focus is our work to improve the competitiveness of the sectors we are responsible for – including the farming, food and drink sector (the UK's largest manufacturing sector contributing £85bn p.a. to the UK economy and 3.5m jobs), waste management and the water industry. For example, Defra is delivering an action plan to drive export growth in the farming, food and drink sector<sup>6</sup>. We are lobbying for the removal of trade barriers that restrict access to new markets, ensuring that the right information and support is available to help businesses succeed overseas, simplifying food export paperwork for companies, and strategically championing the UK's reputation for outstanding farming, food and drink.

Defra has ambitious plans to reduce the burden of unnecessary regulation on businesses and others. For example, as part of the Government's Red Tape Challenge, we announced a package of reforms to environmental regulations that will provide savings to businesses of more than £1bn over the next five years whilst upholding high standards of environmental protection<sup>7</sup>. This will see 132 regulations improved, mainly through simplification or mergers; 70 kept as they are necessary to uphold important environmental protections; and the repeal of 53 others that are obsolete. Defra is also developing a package of measures under the Red Tape Challenge on water and the marine environment.

The Farming Regulation Task Force was set up in July 2010 to undertake an independent review, which recommended over 200 ways of reducing unnecessary "red tape" and reducing regulatory burdens on farmers and food processors. Defra announced a major package of reform of benefit to the food and farming sector in February, accepting 159 of

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4 [Low Carbon, Environmental Goods and Services Report 2010/11 \(May 2012\)](#)

5 [The Further Benefits of Business Resource Efficiency \(Oakdene Hollins 2011\)](#)

6 [Driving export and growth in the farming, food and drink sector – a plan of action](#)

7 [Environment protected and business boosted by cutting unnecessary red tape – Defra press release](#)

those recommendations, and is actively considering what could be possible on a further 31<sup>8</sup>. We have also carried out a review of the implementation in England of the Habitats and Wild Birds Directives, with a view to reducing burdens on business while maintaining the integrity of the purpose of the Directives.

In November 2011, we brought out a £165m package to support rural businesses and boost the rural economy. This includes establishing Rural Growth Networks, a £15m project which we expect to stimulate more than 3,000 jobs and 700 businesses. The package also included a new action plan to support the agri-food sector, including a £500,000 competition to support innovation and highlight opportunities for growth.

Defra also works to avoid costs – to people, business and industry – through its work on providing protection and emergency preparedness for animal health risks and flood defences. For example, by providing funding through the Environment Agency for flood protection measures to better protect 145,000 homes by 2015, with capital investment that offers on average a positive return of £8 for every £1 of Government spending. We have introduced a new flood defence partnership funding strategy to ensure that Government funding can go further and local people have a greater say over how that money is spent.

Defra also supports the aims set out in the Programme for Government and the overarching strategic aims as set out by the Minister for Government Policy in his response to your Committee's previous inquiry on strategy:

- a. a free and democratic society, properly protected from its enemies;
- b. a strong, sustainable and growing economy;
- c. a healthy, active, secure, socially cohesive, socially mobile, socially responsible and well educated population;
- d. a fair deal for those who are poor or vulnerable;
- e. a vibrant culture; and
- f. a beautiful and sustainable built and natural environment.

The first Natural Environment White Paper<sup>9</sup> in over 20 years sets a strong strategic direction and policy framework for the natural environment over the next 50 years, backed up with practical action to deliver that ambition. We have also developed the world's first National Ecosystem Assessment<sup>10</sup>, an independent and peer-reviewed assessment of the state and value of the UK's natural environment and ecosystem services. This provides the evidence base to ensure that the true value of nature is considered in decision making. We have established a Natural Capital committee to help translate this evidence into practical tools.

The UK's National Ecosystems Assessment also revealed the range of economic benefits that we gain from ecosystems services, including more than £1.5 billion a year from storm buffering and flood control services from wetlands, and £430 million for agriculture from pollination services; the report found that 30% of ecosystem services are in long-term

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<sup>8</sup> <http://www.defra.gov.uk/food-farm/farm-manage/farm-regulation/>

<sup>9</sup> [Natural Choice – Securing the value of nature](#)

<sup>10</sup> [The UK National Ecosystem Assessment](#)

decline. Defra has set up the business-led Ecosystems Market Task Force in order to help businesses to identify opportunities to capture the benefits of new products and services.

Our plans to mainstream sustainable development (SD) across Government policy, operations and procurement are explained in more detail in the Government's Vision published in 2011<sup>11</sup>. Defra is leading activities across Government on embedding SD in policy, enhancing transparency and independent scrutiny, SD capability building and supporting departments to lead by example in their operations and procurement. Our Secretary of State and the Minister for Government Policy provide ministerial leadership and oversight. Defra's refreshed business plan commits us to further actions and regular reporting of progress on mainstreaming.

To help prioritise the Department's resources in delivering the high-level objectives set out above (at paragraph 3), we have developed a set of Ministerial Priorities for 2015 (annex A). These priorities give an extra level of granularity below the five objectives. We are developing a new business planning process to provide a stronger line of sight between these objectives and priorities and, outcomes, outputs and activities, to inform how we focus resources and deliver successfully.

**What are your three most important departmental programmes in order of priority and in each case, can you briefly explain how they relate to your six departmental strategic aims?**

As part of Defra's change programme we have moved away from a structure based on 66 programmes (of which 13 were Board level programmes) to a new approach to business planning, whereby each Director has an annual Delivery Agreement (starting in 2012/13), to align resources and activities with Ministerial priorities and the Departmental objectives. These Agreements are designed to be simpler, more strategic, and to increase accountability. They cover:

- Strategy
- EU, International and CAP Reform
- Food and Green Economy
- Rural Development, Sustainable Communities and Crops
- Sustainable Land Management and Livestock farming
- Climate Change, Waste and Air Quality
- Water and Flood Risk Management
- Marine and Fisheries
- Animal Health Scanning and Trade Policy
- Animal Health and Welfare: Disease Control

In addition there are reform and delivery plans for essential corporate services including analysis, communications, finance, information, shared services, commercial and HR.

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11 [Mainstreaming Sustainable Development – the Government's vision and what that means in practice](#)

Formal programme and project management (PPM) is targeted on major projects and high risk programmes, with greater central oversight, and is used more proportionately elsewhere. This approach reflects the maturity of PPM skills in Defra following concerted efforts over recent years. Given their strategic importance to delivery of Government priorities, we will continue to apply PPM in full to the following four programmes:

- Common Agricultural Policy (CAP) Reform
- Rural Development Programme for England
- Waste
- Water

In addition, we have reviewed our portfolio of major projects and introduced a new quarterly report to the Board on progress with these projects. These include four Defra projects which are subject to the Major Projects Authority (MPA) process, together with the most significant commercial projects at a Departmental level. This list is dynamic and will be kept under review :

- New Waterways Charity (MPA)
- Thames Tunnel
- Thames Estuary 2100 (MPA)
- The Science Agencies Review
- Rural Payments Agency - Future Options (MPA)
- Shared Services
- Waste PFI
- Covent Garden Market Redevelopment (MPA)
- Kew Garden
- New ways of increasing corporate receipts

**Arising from your answers above, please provide a list of the most important capabilities your department requires in order to: i) achieve your strategic aims; ii) deliver your three key departmental programmes set out in answer to question 2; and deliver any cross-departmental programmes that you are involved in.**

The core Department has used successive capability reviews<sup>12</sup> and the recent change programme to assess and plan for improvements in its capacity and capability to deliver. The most recent capability review (April 2012)<sup>13</sup> recognises that Defra's change programme will put the Department in a good position to respond to our main challenges. Further details of what we need to change and why and how our change programme will address these needs is set out in our Capability Action Plan. We expect that the Civil Service Reform Plan will complement this by identifying action to improve capability on a cross-departmental basis.

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12 [Defra: Progress and Next Steps – Capability Review 2009](#)

13 [Defra Capability Action Plan 2012](#)

The key skills required to support Defra's future business priorities are:

- Leadership
- Commercial (including financial acumen/management, procurement etc.)
- Programme and Project Management
- EU negotiation skills/knowledge
- Evidence
- Stakeholder management
- Operational delivery

We have developed a series of actions to deliver this plan: a high-level summary with key milestones is at Annex B. This plan covers the core Department and its interaction with its arms length bodies, other Government Departments, and wider stakeholders. Defra's network bodies (executive agencies, non-departmental bodies and other arms length organisations) are implementing their own change and improvement plans, to enable them to deliver their objectives more efficiently and effectively and to equip them with the capability to improve further. In addition, the Department plans to publish a Continuous Improvement Strategy shortly to ensure that we continue to learn and develop our capabilities in the future.

## Ministerial Priorities for 2015

### Annex A

#### Support and develop British farming and encourage sustainable food production

- 1.1 Improve productivity and competitiveness of food and farming businesses, with better environmental performance
- 1.2 Negotiate a smaller, simpler, greener Common Agricultural Policy
- 1.3 Negotiate a reformed Common Fisheries Policy to support sustainable fish stocks, a prosperous fishing industry and a healthy marine environment
- 1.4 Ensure RPA delivers the right service and value for money for the taxpayer

#### Enhance the environment and biodiversity to improve quality of life

- 2.1 Promote more sustainable management and use of marine resources
- 2.2 Reduce the rate of biodiversity loss in England, in line with our goal to halt overall biodiversity loss by 2020
- 2.3 Improve forest management in England
- 2.4 Achieve a more sustainable balance between demand for and availability of water, with improving water quality
- 2.5 Improve human health and wellbeing through action on the local environment, particularly improving air quality
- 2.6 Hand more control to local communities and civil society, with benefits from re-connecting people and nature
- 2.7 Lead the way as a Government in sustainable operations and policy

#### Support a strong and sustainable green economy, including thriving rural communities, resilient to climate change

- 3.1 Encourage a more sustainable approach to the use of materials and management of waste throughout society
- 3.2 Enable rural businesses to grow and innovate, with services to support thriving communities
- 3.3 Encourage society to plan ahead effectively to address the risks and opportunities of the impact of climate change
- 3.4 Adopt a proportionate approach to regulation and remove unnecessary burdens
- 3.5 Enhance competition, efficiency and affordability through a reformed water industry
- 3.6 Negotiate for an increased commitment internationally to sustainable use and management of natural resources

#### Prepare for and manage risk from flood and other environmental emergencies

- 4.1 Improve our resilience in face of flooding and coastal change risks

#### Prepare for and manage risk from animal and plant disease

- 5.1 Implement an effective and efficient animal health and welfare system, including services delivered by AHVLA and others
- 5.2 Reduce the spread of Bovine TB



## **Letter submitted by the Foreign and Commonwealth Office**

Thank you for your letter of 16 May enquiring about how we are building our capability to support both the Foreign and Commonwealth Office's and the Government's strategic aims.

As I said in my letter of 13 May 2011, the ambition at the FCO is to be the best global Diplomatic Service in the world by 2015. My department is focussed on building our expertise and capacity to achieve this, and we promote this internally under the banner of Diplomatic Excellence. My responses to the questions in your letter are set out below.

### **What are the six top strategic objectives of your department in order of priority; and please explain briefly how they relate to the Government's overall strategic aims.**

The FCO's purpose is to pursue an active and activist foreign policy, working with other countries and strengthening the rules-based international system in support of our values. Our three strategic foreign policy priorities are derived from the Coalition Programme for Government, where the Government's foreign affairs priorities are set out, and were agreed by the Prime Minister and the Foreign Secretary in July 2010. They are:

- Security – Safeguard Britain's national security by countering terrorism and weapons proliferation and working to reduce conflict;
- Prosperity – Build Britain's prosperity by increasing exports and investment, opening markets, ensuring access to resources, and promoting sustainable global growth; and
- Consular – Support British nationals around the world through modern and efficient consular services.

These priorities are set out in more detail in our updated public Business Plan from 2012-15, available here:

<http://www.fco.gov.uk/en/publications-and-documents/publications1/annual-reports/business-plan/>

For up to date information on the progress we have made please refer to the No.10 website:

<http://transparency.number10.gov.uk/business-plan/9>

### **What are your three most important departmental programmes in order of priority; and in each case, can you explain briefly how they relate to your six departmental strategic aims, or to the Government's overall strategic aims? (Please specify for which, if any, of those programmes your department is not 'lead' department). Arising from your answers above, please provide a list of the important capabilities your department requires in order to: (etc.)**

The FCO is not a major spending department, but has eleven Strategic Programme Funds (SPF) which are used to support the FCO's Foreign Policy Priorities overseas. In the last FY we spent £154 million on our SPF Programmes.

In support of our security objectives, we have Counter Terrorism, Counter Proliferation, Returns and Reintegration Fund, Afghanistan and Arab Partnership funds. Our Conflict Fund is delivered through two joint resource mechanisms: the Peacekeeping Budget and the Conflict Pool. These are both managed tri-departmentally by the FCO, the Department for International Development and the Ministry of Defence.

In support of our prosperity objectives, we have the Commercial Diplomacy and Prosperity (energy, climate change, opening markets) funds. Other funds cut across the security and prosperity priorities,

such as Bilateral Programmes, Reuniting Europe, Overseas Territories and Human Rights and Democracy. A range of FCO Scholarships are also available to help tomorrow's potential leaders, opinion-formers and decision-makers to study in the UK.

Other government departments have the lead on domestic policy on returns and reintegration, counter terrorism, energy and climate change; the FCO leads the international engagement aspects.

We are also undertaking three programmes of internal change, focusing on policy, people and network, to ensure we have the capabilities to achieve our strategic aims. Our last Capability Review took place in the latter half of 2011. I wrote to you on 26 March this year informing you about the report's imminent publication and set out a summary of its findings. We continue to take forward the review's recommendations under our Diplomatic Excellence campaign. As the Foreign Secretary set out in May 2011, this places a renewed emphasis on policy creativity, on in depth knowledge of other nations, on geographic and linguistic expertise and the enhancement of traditional diplomatic skills in a manner suitable for the modern world.

In support of First Class Foreign Policy and Diplomacy, we are focusing on building our skills to lead foreign policy for HMG at home and abroad. This includes: commercial and economic diplomacy, strategic thinking, policy making, diplomatic negotiation, working across Whitehall, and the basic tradecraft of FCO policy work: drafting and arguing a case. This builds on the policy skills work we have already done through the International Policy Framework.

For the strong and skilled workforce, we are building a workforce which is well led, well trained and well supported, with strong values and a stronger performance culture. The FCO Board agreed a new Strategic Workforce Plan in January and we will reduce the size of our UK based workforce by 10% by April 2015. We will continue to provide challenging and rewarding jobs for our staff at all levels. We will introduce new technology and changes to our working practices allowing us to operate more efficiently overseas which will limit opportunities for our more junior staff to work at Posts overseas. In some cases these changes will result in an increase in locally engaged staff. We will streamline support activities at home and use these, and the overseas savings, to achieve the 10% reduction. We will maintain, and where necessary increase, effort on front-line activities at home and overseas.

And to ensure we have a strong global network we are supporting our delivery of policy priorities with a home and overseas network configured so that we have the right people in the right places, supported by good Information and Communication Technologies and a modern and efficient estate. We are significantly strengthening our diplomatic network, opening up to 11 new Embassies, up to seven new Consulates and British Trade Offices and deploying around 300 extra staff in more than 20 countries in Asia, Latin America and Africa.

**Please also provide a brief analysis of any skills shortages or deficiencies that you have identified as posing a risk to the successful achievement of your strategic aims and programmes.**

The Capability Review identified a number of skills shortages and deficiencies that need to be addressed to allow us to achieve our strategic priorities. Our action plan sets out measures to address these, including more investment to align training of all staff, including our Locally Engaged staff, with Diplomatic Excellence. We are also investing in our language, economic and commercial skills. Directorates covering areas where there is a premium on regional knowledge and hard languages, such as Middle East and North Africa, are finding new ways to promote, develop and share skills and experience amongst the cadre of staff on which our continuing success depends.

The Capability Action Plan sets out in detail what is required to improve our capability in these and other important areas. I and my team continue to focus our efforts on working through the Action Plan to make the department stronger and more resilient.

### **Letter submitted by the Department of Health**

Thank you for your letter of 16 May 2012 about your committee's inquiry into the capacity building aspect of civil service reform. I am pleased to be able to set out for you how my Department is building capability in support of the Government's strategic aims for health and care.

Responses to your specific questions are in the annex to this letter; we see our goal of improving the nation's health and wellbeing as an opportunity to make a real difference to people's lives and to society as a whole. The NHS, the public health service, and adult social care services are vital services that make a difference to millions of people every day. The Department of Health plays a central role in ensuring that the health and social care system works to a common purpose of improving people's health and care outcomes. We also account for these services' effective and efficient operation. In doing so, we must take account of both the current economic climate, and of the reality that people's needs and expectations are changing. Amongst all this, we are also leading transformational change across the health and social care system, and improving our own ways of working.

Earlier this year, the Department undertook its third capability review, with full and extensive challenge from Ministers and our non-executive directors. The review demonstrates that DH has many excellent civil servants and evident strengths. But it also showed how much the department will need to change to adapt to the new challenges it faces to deliver successfully the Secretary of State's five strategic objectives:

- a patient-led NHS
- delivering better health outcomes
- a more autonomous and accountable NHS
- improved public health
- reforming long-term and social care.

Now that the Health and Social Care Act is in place, we are focussing on delivery; we have a well developed, comprehensive transition plan to implement the changes envisaged by the Act.

Turning to your questions in detail, I have set out our reply in the attached annex, which I hope you find useful. You might also like to read:

- i. our Capability Action Plan, which is available on our website at:  
[http://www.dh.gov.uk/prod\\_consum\\_dh/groups/dh\\_digitalassets/@dh/@en/documents/digitalasset/dh\\_133158.pdf](http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/@dh/@en/documents/digitalasset/dh_133158.pdf)
- ii. our 2012 DH Corporate Plan, which sets out our business priorities for 2012-13:  
<https://www.wp.dh.gov.uk/businessplan2012/files/2012/05/2900090-DoH-Business-Plan-A4-v0-16.pdf>

These demonstrate the good progress that we have made over the last year, and set out clearly and comprehensively how we will continue to improve.

We intend shortly to publish a social care white paper that sets out the strategic framework for improvement in adult social care. I will forward a copy to you as soon as it becomes available.

These key documents should be read alongside:

- i. the Operating Framework for the NHS in England 2012-13:  
[http://www.dh.gov.uk/prod\\_consum\\_dh/groups/dh\\_digitalassets/documents/digitalasset/dh\\_131428.pdf](http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_131428.pdf)
- ii. the NHS Outcomes Framework 2012-13:  
[http://www.dh.gov.uk/prod\\_consum\\_dh/groups/dh\\_digitalassets/documents/digitalasset/dh\\_131723.pdf](http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_131723.pdf)
- iii. the adult social care outcomes framework  
[http://www.dh.gov.uk/prod\\_consum\\_dh/groups/dh\\_digitalassets/documents/digitalasset/dh\\_125686.pdf](http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_125686.pdf)
- iv. and the public health outcomes framework  
[http://www.dh.gov.uk/prod\\_consum\\_dh/groups/dh\\_digitalassets/@dh/@en/documents/digitalasset/dh\\_132559.pdf](http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/@dh/@en/documents/digitalasset/dh_132559.pdf)

I would be very happy to brief you or the Committee on any aspect of our capability or change plans, and look forward to any feedback you wish us to have.

Annex

### Question 1

**What are the six top strategic objectives of your in order of priority; and please explain briefly how they relate to the Government's overall strategic aims.**

The Department of Health's DH Corporate Plan sets out our priorities for 2012-13. Activity is focussed on delivering the Government's strategic objectives for health and care:

- a patient-led NHS;
- delivering better health outcomes;
- a more autonomous and accountable NHS;
- improved public health;
- reforming long-term and social care.

In practice, this translates into six priority areas specifically designed to meet the Government's objectives; each of the priorities is backed by specific initiatives.

**better health – helping people live healthier lives** by improving our public health system; protecting people's health by ensuring we have the capabilities and policies in place to address threats to public

health; promoting health and wellbeing to deliver better health outcomes and tackle health inequalities across all ages.

**better care – helping people get better and ensuring people are treated with dignity and respect and supporting a patient-led NHS** by reforming social care; working with the NHS to strengthen people's ability to make meaningful choices about their care and support the integration of services around the individual; getting the basics right on safety in health and care; a greater focus on health outcomes.

**better value – providing better quality care by improving productivity and ensuring value for money for the taxpayer;** reducing bureaucracy; supporting the NHS to save up to £20 billion to reinvest in frontline services; simplifying regulation of the development and adoption of new medicines and treatments

**successful change – delivering the transition to a more autonomous and accountable system** by making sure the new partnership organisations (i.e. the Department's Arm's Length Bodies); the new clinical commissioning groups and health and wellbeing boards are ready to take on their new responsibilities by April 2013; continuing the transformation of the Department itself into a smaller, more purposeful organisation, with a clear sense of its role in health and care.

**the Department's partners – achieving strategic clarity, building a common sense of purpose** by developing strong relationships with our external stakeholders, and establishing effective ways of working with the new organisations in the health and care system; playing our full role in delivering the government's priorities led by other departments.

**the Department itself – improving our capability and becoming a better organisation** – developing new ways of working that reflect the leadership role we will play in the new system; the importance of engaging with our partners; and building understanding of our work within the health and care system and the wider public. Putting equality and diversity at the heart of what we do.

## Question 2

**What are your three most important departmental programmes in order of priority; and in each case, can you explain briefly how they relate to your six departmental strategic aims, or to the Government's overall strategic aims? (Please specify for which, if any, of those programmes your department is not "lead" department).**

Our five most important departmental programmes currently are:

- supporting the NHS to plan locally to deliver the Quality, Innovation, Productivity and Prevention (QIPP) challenge in the NHS, to improve the quality of care and deliver efficiency savings of up to £20bn over the Spending Review period to be reinvested in frontline services;
- delivering the transition to a more autonomous and accountable system by making sure the new partnership organisations (i.e. the Department of Health's ALBs), clinical commissioning groups and health and wellbeing boards are ready to take on their new responsibilities by April 2013;
- reforming the system of social care to provide more control to individuals and their carers, easing the cost burden that they and their families face;
- developing the Public Health Responsibility Deal, which is improving public health through harnessing businesses and other organisations in a more collaborative approach to tackling the challenges caused by our lifestyle choices;

- maintaining the health and social care system's focus on quality, safety and dignity, for example through developing the response to the Public Inquiry into Mid-Staffordshire NHS Foundation Trust, and other reviews, and strengthening the role and effectiveness of the Care Quality Commission.

### Question 3

**Arising from your answers above, please provide a list of the most important capabilities your department requires**

Our priorities for capability building are as set out in the Department's Capability Action Plan and now reflected in our corporate plan:

**Building common purpose and sustaining a strong sense of ownership of the change agenda:** staff and stakeholders are looking to the Department to communicate the vision and the practical operating arrangements for the reformed system, clearly, regularly and effectively. Trust and confidence are vital to success and much more work on this front will be needed. We also recognise that many improvements in people's health and wellbeing will come from addressing wider factors that involve better collaboration across boundaries. We are therefore committed to improving our capability in working with other government departments on cross-cutting initiatives.

**Work differently to achieve more:** the Department will still hold ultimate accountability for the outcomes and impact of the health and care system, but will have different levers to drive and influence performance. The Department will have to become much better at understanding what patients and the public want and need; assessing the challenges to the nation's health and advising Ministers on priorities and options; and ensuring that the new health and care system is set stretching objectives, is accountable and delivering better value for money and outcomes for citizens.

**The right people, in the right place, with the right skills:** the size of the Department is reducing, thus the range and depth of the skills people bring will matter more than ever. Traditional civil service skills of analysis, problem solving and policy advice will still matter, but new skills will be as important, not least the ability to influence, to get things done with and through others, to build alliances and lead by example. Further, the Department will have to be stronger in the skills of assessing performance and holding to account. While we are working to build the relevant skills for the new system, we need to spend more effort to articulate what this means for individual members of staff, explaining how the Department will comprehensively develop them, whilst retaining talent and enabling people to gain experience of the frontline and of other organisations in the system. In particular we need to get better at achieving change through partnership, influencing and engaging, and in holding to account. This will require further developing or skills in sponsorship, stakeholder relations, assurance and risk management, programme and project management, change management as well as continuous improvement in core skills such as good management of money and of people.

### Question 4

**Skill shortages and deficiencies that could be a risk to the successful achievement of strategic aims and programmes.**

The Department of Health has many strengths, not least the values, resilience and flexibility of staff.

For the Department's post 2013 role we will need to improve:

programme and project management skills;

analytical and financial capability;

strengths in negotiation, influencing and partnership working;

strategic capacity and insight and horizon scanning.

Having understood these improvement areas we are now developing a range of actions and interventions in line with the Civil Service Reform plan, to deliver the changes we need to see.

### **Letter submitted by the Home Office**

You wrote to seek evidence to support the Public Administration Select Committee's examination of civil service reform. You specifically asked for responses to four questions for which our responses are set out below.

#### **1. What are the top six strategic objectives of your department in order of priority; and please explain briefly how they relate to the Government's overall strategic aims.**

The Home Office has seven Government priorities which are listed in the Home Office Business Plan 2012-15, published 31 May 2012. The May 2012 update of the Plan is available here <http://www.homeoffice.gov.uk/publications/about-us/corporate-publications/business-plan/business-plan-2012-15/ho-business-plan-2012.pdf> These priorities are not listed in order of priority but follow the order within the Business plan.

1. Empower the public to hold the police to account for their role in cutting crime
2. Free up the police to fight crime more effectively and efficiently
3. Create a more integrated criminal justice system
4. Secure our borders and reduce immigration
5. Protect people's freedoms and civil liberties
6. Protect our citizens from terrorism
7. Equal treatment and equal opportunity

The Home Office defend the country against terrorism, secures our borders and controls immigration, enables the police and local communities to step up the fight against crime and anti-social behaviour, and champions equality. We take the Government's values of freedom, fairness and responsibility as our guiding principles.

#### **2. What are your three most important departmental programmes in order of priority; and in each case, can you explain how they relate to your six departmental strategic aims, or to the government's overall strategic aims? (Please specify for which, if any, of those programmes your department is not "lead" department).**

Our most important departmental programmes, listed in the order that they appear in the Home Office Business Plan, are:

- National Crime Agency
- E-Borders
- Immigration Case Work Programme

- Communications Capabilities Development

These four programmes are included in the Home Office Business Plan 2012-15 and are critical to the implementation of the Department's priorities. Listed below are the links to the relevant strategic priorities and actions as set out in the order they appear in the Home office Business Plan rather than in priority order.

- National Crime Agency
  - Strategic Priority: Free up the police to fight crime more effectively and efficiently but also secure our borders and reduce immigration
  - Business Plan Action 2.2 *Simplify institutional structures for the police, phasing out the National Policing Improvement Agency (NPIA) and establishing a National Crime Agency (NCA).*
- e-Borders:
  - Strategic Priority: Secure our borders and reduce immigration
  - Business Plan Action 4.4 *Transform UK border security arrangements to help protect the UK against terrorist attack, serious cross border crime and abuses of the immigration system, including through e-Borders, assessing passengers in advance of their arrival in the UK. Reintroduce exit checks.*
- Immigration Case Work Programme:
  - Strategic Priority: Secure our borders and reduce immigration
  - Business Plan Action 4.6 (iv) *Complete delivery of Immigration Casework Work Programme.*
- Communications Capabilities Development:
  - Strategic Priority: Protect people's freedoms and civil liberties but also contributes to protect our citizens from terrorism
  - Business Plan Action 5.3 *End the storage of internet and email records without good reason.*
  - The objective of the Communications Capabilities Development is wider than the Business Plan action and is to ensure that in a changing communications environment and having regard to other investigative data and techniques available to them. Investigators and emergency services can economically, efficiently, effectively and lawfully continue to acquire and exploit communications data to save lives, counter terrorism, investigate crime, prosecute offenders and protect the public

In addition to these four programmes, clearly one of the top priorities for the Home Office has been delivery of the Olympic Safety and Security programme. The programme will come to an end after the Olympic and Paralympic Games have been delivered and post programme activities are completed which will be around February 2013.

Arising from your answers above, please provide a list of the most important capability your department requires in order to:

- **Achieve your strategic aims**

The department will need to achieve its strategic objectives within the context of achieving “better for less” – the department will be smaller yet will need to continue to ensure it is highly effective at setting the direction, allocating resources, and obtaining value for money. This will require more commercial capabilities and those relating to continuous improvement. This will also require capabilities that enable the improvement of staff performance year on year and increased flexibility in working patterns.

○ **Deliver your three key departmental programmes set out in answer to question (2)**

Two of the key departmental programmes (Immigration Case Working and e-Borders) will need change management capabilities within the business areas, where managers will have to create an environment receptive to the changes and facilitate the change through the business. They will also require staff to have the capability to operate the new systems.

These are challenges in terms of resourcing key programmes with suitably trained expert staff. Three of the programmes identified (Immigration Case working, e-Borders and Communications Capabilities Development) are business change programmes which require IT specialists (primarily architects, testers and business analysts) and programme and project management skills.

In these areas the department is working to reduce its reliance on consultancy for specialist skills and is therefore undertaking some recruitment for specialist posts. There is a limited supply of these skills across government and in the wider market, and it is a challenge to be able to offer competitive remuneration to attract and retain capability. We are therefore working to develop a number of solutions. For example, we are working with the wider Government ICT strategy approach to developing talent. In the UK Border Agency, for both immigration Case Working and e-Borders we have established a Transformation Team to act as the IT/Project and Programme Management internal supplier. This concentrated effort has significantly improved our resource management. However, given the labour market conditions and our varying levels of demand at different peaks of the programmes, we continue to source some specialist resource as contingent labour.

In terms of the programme to establish the National Crime Agency (NCA), a programme team has been established incorporating civil servants from a range of disciplines, along with secondees from key partner organisations who are embedded in the programme team to bring operational experience to bear on the design and build of the new Agency. Many of the capabilities required are core policy and project and programme management capabilities and therefore skills gaps are less problematic for this programme.

○ **Deliver any cross-departmental programmes that you are involved in (where another department would regard itself as “lead department”).**

We are not involved in delivering any cross-departmental programmes where we are not the “lead department”.

**Please also provide a brief analysis of any skills shortages or deficiencies that you have identified as posing a risk to the successful achievement of your strategic aims and programmes.**

As identified in the previous question, we are experiencing particular pressure in Information Technology and Programme and Project Management (PPM), and change management skills.

In terms of IT and PPM skills, the department is working to reduce its reliance on consultancy for specialist skills and is undertaking limited recruitment for specialist posts in the areas identified above. For some particularly specialist skills there can be challenges in terms of a limited supply across government and in the wider market, with consequent challenges in departments being able to offer competitive remuneration to attract and retain capability. This is an area where Home Office are working

to develop a number of solutions, in line with, for example, the wider Government ICT strategy approach to developing talent.

On change management, in the short term we may well have to recruit to fill some key gaps. In the longer term, this is something we will be focussing on in our internal development programmes, supported by Civil Service Learning.

### **Letter submitted by Department for International Development**

Thank you for your letter of 16 May 2012. I enclose the response to your questions and relevant background information.

Since May 2010, Ministers have refocused the shape and policy direction of the Department. While they have reaffirmed the centrality of poverty reduction and achievement of the Millennium Development Goals (MDGs) as the primary objective of our work, they have changed the means by which the Department will contribute to their achievement. The 2012 Business Plan and “Changing Lives, Delivering Results” set out the Coalition Government’s international development priorities and commitments up until 2015. The Secretary of State has placed a greater emphasis on supporting the private sector and good governance through actions that support open societies, open government and markets for development. Ministers have also committed DFID to increase the transparency and effectiveness of UK aid.

The Department’s lead Non-Executive Director recently led an updated Capability Review of DFID. The Review concluded that we are making progress on re-shaping the organisation to deliver our commitments but need to focus more of our attention on strengthening our leadership capability and building more financial, private sector and climate change expertise. Making progress on these challenges is a priority for the next year, and we are closely monitoring the implementation of the agreed actions.

#### **1. What are the six top strategic objectives of your department in order of priority; and please explain briefly how they relate to the Government's overall strategic aims.**

DFID's 2012 Business Plan sets out the programme of work the Department plans to carry out over the next three years to deliver the Coalition Government's priorities.

The Business Plan reinforces the Coalition Government's focus on supporting the private sector and good governance through actions that support open societies, open government and markets for development.

The Business Plan also reflects the strong focus placed by DFID Ministers on implementation and results, with the goal of reducing poverty in the poorest places and supporting achievement of the Millennium Development Goals (MDGs).

The Business Plan's six priorities are:

1. Honour international commitments — Honour the UK's international commitments and support actions to achieve the Millennium Development Goals
2. Drive transparency, value for money and open government — Make British aid more effective by improving transparency, openness and value for money

3. Boost wealth creation — Make British international development policy more focused on boosting economic growth and wealth creation
4. Strengthen governance and security in fragile and conflict-affected countries and make UK humanitarian response more effective — Improve the coherence and performance of British international development policy in fragile and conflict-affected countries
5. Lead international action to improve the lives of girls and women — Empower girls and women so that their lives are significantly improved and sustainably transformed through better education, greater choice on family planning and preventing violence against them
6. Combat climate change — Drive urgent action to tackle climate change, and support adaptation and low carbon growth in developing countries

The full work programme that these priorities capture is set out in more detail in the Business Plan and in the corresponding annexes.

The diagram (below) indicates how DFID has organised these priorities across its Senior Management.

Permanent Secretary Mark Lowcock				
Director Generals	Michael Anderson Policy & Global Programmes Workforce: 553 Budget: £4331.40m	Richard Calvert Finance & Corporate Performance Workforce: 535 Budget: £99.07m	Mark Bowman Humanitarian, Conflict & Security Workforce: 452 Budget: £794.76m	Joy Hutcheson Country Programmes Workforce: 1218 Budget: £2781.64m
Coalition Priorities	1. Honour International commitments (co-lead with Richard Calvert)  3. Boost wealth creation	2. Drive transparency, value for money and open government (co-lead with Michael Anderson)  6. Combat climate change	4. Strengthen governance and security in fragile and conflict-affected countries and make UK humanitarian response more effective (co-lead with Joy Hutcheson)	5. Lead international action to improve the lives of girls and women

**2. What are your three most important departmental programmes in order of priority; and, in each case, can you explain briefly how they relate to your six departmental strategic aims? (Please specify for which, if any, of these programmes your department is not "lead" department).**

In March 2011, the Secretary of State announced the results that DFID will deliver for the world's poorest people by 2015. In that document, "Changing lives, delivering results", the Secretary of State committed DFID to deliver specific results across the programmes it is directly responsible for implementing (the bilateral programme which is now focussed on fewer (28) countries) and the financing it provides for programmes delivered by multilateral organisations, for example the World Bank and United Nations organisations.

Our Annual Report will monitor and report progress against these results. We are sharing with the Committee the table overleaf, which contains our latest data, from our yet-to-be published Annual Report. We would be grateful if the Committee could treat this information in confidence until the report is published on 25 June.

<b>DFID Results Commitment— by 2014/15</b>	<b>Results Indicators</b>	<b>Indicator type (see notes)</b>	<b>Bilateral/ Multilateral/ Both</b>	<b>Results Achieved since baseline*</b>	<b>Of which 2011/12*</b>
<b>Helping people prosper</b> (which is aligned to strategic objective 3 in the 2012 Business Plan)					
Provide more than 50 million people with the means to work their way out of poverty	Number of people with access to financial services as a result of DFID support(see note 9)	Final year	Both	11,900,000	11,800,000
Help up to half of the countries in Africa benefit from freer trade	Number of countries supported to agree an Africa Free Trade area	Final year	Bilateral	26	26
Secure the right to land & property for more than six million people	Number of people supported through DFID programmes to improve their rights to land & property	Cumulative	Bilateral	1,100,000	800,000
<b>Feeding the world and helping the poorest</b> (which is aligned to strategic objective 4 in 2012 Business Plan)					
Help more than six million of the world's poorest people to escape extreme poverty	Number of people benefiting from DFID supported cash transfer programmes	Peak Year	Bilateral	3,400,000	3,400,000
Stop ten million more children going hungry	Number of children under five & pregnant women reached through DFID's nutrition-relevant programmes	Peak Year	Bilateral	2,700,000	2,700,000
Ensure that another four million people have enough food throughout the year	Number of people achieving food security through DFID support	Final Year	Bilateral	400,000	300,000
<b>Changing children's lives through learning</b> (which is aligned to strategic objectives 1 & 5 in 2012 Business Plan)					
Support nine million children in primary school	Number of children supported by DFID in primary education (per annum)	Peak Year	Bilateral	5,300,000	2,900,000
Support two million children in secondary schools	Number of children supported by DFID in	Peak Year	Bilateral	600,000	200,000

<b>DFID Results Commitment— by 2014/15</b>	<b>Results Indicators</b>	<b>Indicator type (see notes)</b>	<b>Bilateral/ Multilateral/ Both</b>	<b>Results Achieved since baseline*</b>	<b>Of which 2011/12*</b>
	lower secondary education (per annum)				
Support 700,000 girls in secondary schools	Number of children supported by DFID in lower secondary education (per annum)	Peak Year	Bilateral	260,000	110,000
Train more than 190,000 teachers & improve the quality of education & children's learning	Number of teachers Trained	Cumulative	Multilateral	90,000	Not currently available
<b>Saving lives and preventing disease</b> (which is aligned to strategic objective 1 & 5 in 2012 Business Plan)					
Help immunise more than 55 million children against preventable diseases	Number of children Immunised	Cumulative	Multilateral	21,000,000	12,300,000
Save the lives of at least 50,000 women in pregnancy and childbirth	Number of maternal lives saved through DFID support	Modelled	Bilateral	Not currently available	Not currently available
Save the lives of 250,000 new born babies	Number of neo-natal lives saved through DFID support	Modelled	Bilateral	Not currently available	Not currently available
Help halve malaria deaths in ten of the worst affected countries	Number of malaria specific deaths per 1000 persons per year	Modelled	Bilateral	Not currently available	Not currently available
Enable at least ten million more women to use modern methods of family planning by 2015	Number of additional women using modern methods of family planning through DFID supports]	Final Year	Both	1,000,000	600,000
Support at least two million women to deliver their babies safely with skilled midwives, nurses & doctors	Number of births delivered with the help of nurses, midwives or doctors through DFID support	Cumulative	Bilateral	500,000	400,000

<b>DFID Results Commitment — by 2014/15</b>	<b>Results Indicators</b>	<b>Indicator type(see notes)</b>	<b>Bilateral/Multilateral/Both</b>	<b>Results Achieved since baseline*</b>	<b>Of which 2011/12*</b>
<b>Providing clean water and sanitation</b> (which is aligned to strategic objective 1 in 2012 Business Plan)					
Give 15 million people access to clean drinking water	Number of people with sustainable access to clean drinking water sources through DFID support	Cumulative	Bilateral	2,000,000	1,900,000
Improve access to sanitation for 25 million people	Number of people with sustainable access to an improved sanitation facility through DFID support	Cumulative	Bilateral	2,000,000	2,000,000
Improve hygiene for 15 million to help stop people getting sick	Number of people with access to improved hygiene through DFID support to hygiene promotion	Cumulative	Bilateral	7,400,000	6,600,000
<b>Making countries safer, fairer and free from conflict</b> (which is aligned to strategic objectives 2 & 4 in 2012 Business Plan)					
Focus 30% of our aid on war torn & unstable countries by 2014	Proportion of UK aid spent in Fragile & Conflict Afflicted States (FCAS)	Not applicable	Not applicable	To be reported at end 2014-15	To be reported at end 2014-15
Support freer & fairer elections in 13 countries	Number of countries supported by DFID in freer & fairer elections	Cumulative	Bilateral	5	4
Help ten million women to access justice through the courts, police & legal assistance	Number of women and girls with improved access to security & justice services through DFID support	Variable — depends on project type	Bilateral	300,000	300,000
Support 40 million people to hold authorities to account	Number of people supported to have choice & control over their development & to hold decision makers to	Variable — depends on project type	Bilateral	17,000,000	16,200,000

DFID Results Commitment— by 2014/15	Results Indicators	Indicator type (see notes)	Bilateral/ Multilateral/ Both	Results Achieved since baseline*	Of which 2011/12*
	account.				
<b>Combating climate change</b> (which is aligned to strategic objective 6 in 2012 Business Plan)					
Help millions of poor people protect their lives & livelihoods from the impacts of climate change	Number of people supported by DFID funding to cope with the effects of climate change	Cumulative	Bilateral	2,500,000	2,500,000
Support poor countries to develop in ways that avoid or reduce harmful emissions	See footnote(6)	Variable — depends on project type	Bilateral	Not currently available	Not currently available
Help millions of poor people secure clean energy	Number of people with improved access to clean energy as a result of DFID funding	Cumulative	Bilateral	600,000	600,000
Give more protection to the world's forests & the 1.2 billion people who depend on them	Number of hectares where deforestation & degradation have been avoided	Cumulative	Bilateral	3,000	3,000

**Notes**

Results have been rounded to the nearest 100,000; with the exception of 'Number of hectares where deforestation and degradation have been avoided' (rounded to the nearest 1,000). Baseline years vary across countries — results have therefore been presented as both those achieved since baselines were set as of end March 2011 and also results specific to 2011/12.

- [1] Final year indicators take the estimate in 2014/15 to measure performance against the results commitments set out in the Changing Lives document. It is generally expected that results will increase over time.
- [2] Cumulative indicators sum results across years to measure performance against the results commitments set out in the Changing Lives document.
- [3] Peak year indicators take the maximum value across years to measure performance against the results commitments. This is a prudent way to measure the number of unique individuals reached.
- [4] Modelled indicators require an internationally agreed methodology to measure performance, currently under development. For Malaria, the World Health Organization has established an Evidence Review Group (ERG) on Malaria Burden Estimation Methodology which will review existing methodologies and work on a way forward to standardize methods that allow for consistent reporting of trends. Any recommended changes will be applied retrospectively to previous years (to 2000).
- [5] Variable implies that that the aim of measuring beneficiaries will depend on the nature of the programme or project.
- [6] The commitment on *supporting developing countries to develop in ways that avoid or reduce harmful greenhouse gas emissions* will be met through projects and programmes funded through the International Climate Fund (ICF). This commitment is expected to be met through a range of interventions making it challenging to set a single indicator for measuring progress. In turn, no target has been set against this commitment. Instead, a series of key performance indicators (KPIs) are being developed under the ICF that should collectively enable DFID to measure progress against this commitment.
- [7] Estimated from the World Bank's International Development Association and the Asian Development Bank's results, using DFID's share of funding.
- [8] Estimated from GAVI's results using DFID's share of funding. 'Results achieved since baseline' relate to 2010 and 2011 calendar years, while 'Of which 2011/12' relates to 2011 calendar year.
- [9] This result will be delivered through both bilateral and multilateral programmes. However results achieved to date include only the bilateral delivery channel.

Since these results commitments were set, the Secretary of State has set ambitious new results in two areas — nutrition, and access to integrated water, sanitation and hygiene services:

20 million children under five and pregnant women reached through DFID's nutrition programmes. Further details are set out in DFID's Nutrition Paper. <http://www.dfid.gov.uk/What-we-do/Key-Issues/Food-and-nutrition/Nutrition/>

60 million people receive water and/or sanitation and/or improved hygiene through integrated services. Further information is available on UNICEF's website. [http://www.unicef.org/lac/media\\_23164.htm](http://www.unicef.org/lac/media_23164.htm)

These will be achieved through both bilateral and multilateral results, whilst the current targets are for bilateral aid only. DFID will report on these new targets in future Annual Reports.

**3. Arising from your answer above, please provide a list of the most important capabilities your department requires in order to:**

**Achieve your strategic aims**

**Deliver your three key departmental programmes set out in answer to (2); and**

**Deliver any cross-departmental programmes that you are involved in (where another department would regard itself as "lead department")**

The Spending Review, Business Plan and "Changing lives, delivering results" have required DFID to change and re-shape the organisation quickly to deliver Ministerial priorities. These changes require DFID to undergo a major organisational reshaping through a simultaneous increase in the size of staff with professional capabilities, including in finance, economics, private sector development, climate change, working on front-line delivery in our overseas offices and a significant reduction in the number of staff working in central functions and in London. This is a significant change programme.

In June 2011, the Department set out a new organisational vision which captured the changes needed to deliver the Coalition Government's priorities. This vision set out five priority areas for 2011 to 2015 (below).

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## Our Formula for Success

Over the next four years DFID needs to do 5 things really well:

Provide strong leadership: support staff through the changes ahead, invest in new skills and foster a culture of continuous improvement.

Deliver at scale: achieve transformational results as set out in the Business Plan and operational plans, manage our pipeline of programmes effectively and shift resources to the frontline.

Improve impact and drive value for money: constantly strive to get more results for our money, use evidence systematically and learn from evaluation.

Build support for our work: work better in Whitehall, communicate clearly with the public and increase transparency.

Look to the future: understand trends, respond to new and emerging challenges and influence new partners differently.

A significant amount of effort has been placed into re-shaping and changing the skill set of the organisation by moving staff away from corporate work ("back office") and recruiting more specialists, eg economists, private sector and climate change experts, into front-line delivery in our overseas offices. Our efforts are paying dividends: we have increased the amount of staff posted overseas and increased the number of staff in front-line delivery by 202 (FTE) between June 2011 and March 2012, with the greatest proportion going to Africa.

Staff Numbers (by % of total)				
	Home Civil Servants			
	London	East Kilbride	Overseas	Overseas
March '12	27%	19%	20%	34%
March '10	31%	19%	17%	33%

The recent Capability Review <http://www.dfid.gov.uk/Documents/publications/DFID-Capability-Action-Plan-2012.pdf> tested our fitness to meet the challenges set out in the Business Plan and "Changing lives, delivering results". It concluded that the Department remained a leader amongst donors, with highly engaged and professional staff; had responded rapidly to new ministerial priorities and put stronger processes in place to manage its resources. It did, however, note that DFID needed to strengthen leadership and management skills further and make them more consistent across the organisation. The Department needs to make more progress on the new policy areas of private sector and climate change. It can still do better on the "Value for Money" agenda, which is not yet fully embedded in the DNA of the organisation, through improved programme monitoring and by imposing more rigour on partner organisations.

The Capability Action Plan sets out we propose to improve our capability, with an especial

focus on improving our leadership skills and increasing our private sector, climate change and financial capability.

The Coalition's Government's "Civil Service Reform Plan" will help DFID address some of the issues identified in the Capability Review. For example, the proposal to allow greater and easier interchange between the public and private sector will allow us to acquire those skills more quickly.

### **Letter submitted by Ministry of Justice**

Thank you for your letter of 16 May asking for us to contribute to your examination of how we are building capability in support of the Department's strategic aims and the Government's overall strategic aims. I am replying as Interim Permanent Secretary, following Suma Chakrabarti's election as President of the European Bank for Reconstruction and Development.

As the Committee is aware, to help us deliver our strategic priorities we have set out an ambitious reform programme which we have called Transforming Justice. It seeks to transform our services and the Department so that we deliver a more effective, less costly and more responsive justice system for the public.

To help us deliver the vision for Transforming Justice, the Department has set out our strategy in our Departmental Business Plan for 2011-15. It has a clear focus on delivering structural reform within a wider context of reducing the deficit, driving growth and opening up public services through greater choice, transparency and decentralisation. These priorities were first established in the Coalition's Programme for Government published in May 2010.

Taking account of these points, I have set out below the answers to each of your questions.

#### **Question 1: What are the top strategic objectives of your department in order of priority; and please explain briefly how they relate to the Government's overall strategic aims?**

The strategic priorities for the Department are:

- 1) introducing a rehabilitation revolution;
- 2) reforming sentencing and penalties;
- 3) reforming the courts, tribunals and legal aid, and working with others to reform the delivery of criminal justice;
- 4) assuring better law;
- 5) reforming how we deliver our services.

Our priorities are helping the Department to make a significant contribution to the reduction of the deficit and encouraging growth. The changes to the legal aid system, the reforms to service provision by the Department and its delivery arms, and a host of other reforms, will enable us to reduce our annual departmental expenditure by over £2 billion by 2015.

These priorities contribute to a number of cross-Government strategic initiatives. The table

below indicates what they are seeking to achieve and how they link to the key cross-cutting Government priorities.

<b>Strategic Priority</b>	<b>Aim</b>	<b>Contribution to Cross-Cutting Government Priority</b>
1. Introduce a Rehabilitation Revolution	To create a system introducing greater involvement of the private and voluntary sectors, including through the use of payment by results, to cut reoffending	<ul style="list-style-type: none"> <li>• Deficit Reduction</li> <li>• Open Public Services</li> <li>• Decentralisation &amp; Localism</li> <li>• Transparency</li> <li>• Social Justice</li> </ul>
3. Reform sentencing and penalties	To ensure that the justice system reduces reoffending by introducing more effective sentencing policies, and consider the use of restorative justice for adult and youth crimes.	<ul style="list-style-type: none"> <li>• Deficit Reduction</li> <li>• Open Public Services</li> </ul>
4. Reform courts, tribunals & legal aid and work with others to reform the delivery of criminal justice	To ensure a legal aid system that works more efficiently and that we provide necessary support for those that need it most and for those that require it. Concurrently, we are working to increase efficiency across the justice system and reform the courts estate to deliver a better service for users and give the tax-payer better value for money	<ul style="list-style-type: none"> <li>• Deficit Reduction</li> <li>• Open Public Services</li> <li>• Decentralisation &amp; Localism</li> <li>• Transparency</li> </ul>
5. Assure better law	To ensure that law-making is transparent and accountable, safeguarding civil liberties and enabling citizens to receive the proper protection of the law.	<ul style="list-style-type: none"> <li>• Deregulation Red Tape Challenge</li> <li>• Transparency</li> <li>• Growth</li> </ul>

6. Reform how we deliver our services	To reassess the department's ways of working and to develop more efficient shared services, reduce duplication and streamline our functions wherever possible.	<ul style="list-style-type: none"> <li>• Deficit Reduction</li> <li>• Open Public Services</li> <li>• Transparency</li> <li>• Growth</li> <li>• Deregulation</li> </ul>
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**Question 2: what are your most important departmental programmes in order of priority; and in each case can you explain briefly how they relate to your departmental strategic aims, or to the Government's overall strategic aims?**

The Transforming Justice portfolio consists of 45 programmes or projects. The Department's most strategically important programmes are:

*Legal Aid Reform*

The Legal Aid Reform Programme is a significant programme which directly contributes to priority 3. This programme involves changes to the scope, level and eligibility criteria for legal aid with the aim of targeting it to where it is most needed. We project savings of £350m per annum from the legal aid budget by the end of the current SR period.

*Prisons competition*

Prison competition contributes to our strategic priorities 1 and 5. The Prisons Competition programme is packaged in two phases. Phase One has now been completed and involved market testing public sector prisons and the competition for the operation of the new build site, HMP Oakwood (formerly Featherstone 2), with bids considered from public, private and third sectors. HMP Doncaster will also trial the new payment by results system. Phase Two is underway and involves nine establishments.

Other offender services competitions include the Prisoner Escorting Contract, Electronic Monitoring and Community Payback.

*Future ICT Sourcing Programme (FITS)*

The Future ICT Sourcing Programme is aiming to deliver a more sustainable and better managed IT infrastructure which will support the ongoing transformation of the Department and its services. This supports strategic priority 1.

The programme will reduce MOJ ICT operating costs through design and implementation of a new ICT operating model, enabled by a transformed ICT supplier model and any necessary technology transformation. It will deliver a reduction of £100m to the Department's ICT run and maintain annual costs, and greater efficiency and time-savings through enhanced system availability.

*Payment by Results*

Payment by Results (PbR) supports strategic priorities 1, 2 and 5. PbR is intended to change the way in which services are commissioned to deliver better outcomes for the public at the same or less cost. The PbR pilots ensure a focus on outcomes, encourage innovation and where possible, transfer some financial risk from the tax payer to private and voluntary sector providers. We want to involve the public, private and voluntary sectors in bringing about a radical change in how we provide for the rehabilitation of offenders. Payments in all PbR pilots will be dependent on a single measure of success: the ability to reduce reoffending among the offenders in the cohort.

**Question 3: Arising from your answers above, please provide a list of the most important capabilities your department requires in order to:**

- a) **achieve your strategic aims;**
- b) **deliver your key departmental programmes set out in answer to question 2; and,**
- c) **deliver any key cross-departmental programmes that you are involved in (where another department would regard itself as “lead department”).**

The Department recently carried out a Capability Review and published a Capability Action Plan as a result. It provided a critical assessment of our strengths and weaknesses, and our capability to meet our strategic objectives. The Review found the Department to be particularly strong in leadership, strategic capability, and innovation. However, it also noted that we could do more to acquire and retain key specialist skills and develop better commercial awareness. We have work underway to strengthen these areas, including looking at the need for some targeted recruitment, our retention strategies and up-skilling existing staff in some areas – particularly in IT and procurement, though central controls and restrictions can make this difficult.

The Review also found that, while there are some good examples of collaboration and engagement with external partners – for example working with DWP on the Work Programme and tribunal reform and with DH on offender health and rehabilitation – more could be done to engage with external organisations earlier in the policy making process. A further finding was that we should make stronger use of evidence based on customer insight, and make better use of informal and interactive methods of working across government and with key stakeholders.

Delivery of our Capability Plan is being led by our Group HR Director, as part of the implementation of a wider People Strategy which will also address improvements in our approach to performance management and reward. We are prioritising work according to our strategic priorities. For example, work is well underway in NOMS to enhance our capabilities on commissioning, and we are exploring innovative approaches to learning from the private sector. This builds on existing programmes to strengthen capability in our core corporate service areas such as procurement, finance and HR. Our next priority will be to enhance our confidence in commercial acumen more broadly across our leadership team, on which we are developing proposals for the autumn. Given its importance, capability features as a key strand of the next phase of the Department’s Transforming Justice strategy.

I trust this information will be of assistance to the Committee.

**Letter submitted by Department for Transport**

Thank you for your letter of 16 May about your ongoing examination of civil service reform and, in that context, how DfT is building strategic capability to support both our Departmental strategic aims and those of the Government.

I will take each of your questions in turn.

**1) What are the six top strategic objectives of your department in order of priority; and please explain briefly how they relate to the Government's overall strategic aims.**

We recognise that the Coalition's main goal, during this parliament, is the need to reduce the deficit and encourage economic growth. A significant way in which the Department contributes to this by helping deliver a dynamic and sustainable transport system that drives economic growth and competitiveness.

Our vision is for a transport system that is an engine for economic growth, but one that is also greener and safer and improves quality of life in our communities.

In that context we have the following priorities:

- securing targeted investing for growth now and for the next generation to improve capacity and connectivity;
- harnessing technology to ensure our transport system is smart and sustainable and ready for the future;
- improving people's everyday experience of transport, putting users at the heart of what we do.

I have not sought to try and rank those priorities as they are interlinked. The focus on economic growth does not mean that we are downplaying other issues. For instance, safety and security are key factors in maintaining business and public confidence in our transport system. Wherever possible, we are empowering local authorities and communities to develop and deliver transport solutions that meet their needs. We are working hard to reduce red tape and help shape EU policy to ensure it is proportionate, effective and supports British business. We are also helping businesses and the travelling public to make better transport choices.

The latest DfT Business Plan, published earlier this year, includes a commitment to publish a transport strategy by the end of 2012, to set out more clearly how our policies across different transport modes work as a whole to deliver our priorities.

**2) What are your three most important departmental programmes in order of priority; and in each case, can you explain briefly how they relate to your six departmental strategic aims, or to the Government's overall strategic aims?**

The DfT Business Plan identifies our role in delivering Coalition priorities, including by delivery of the following programmes (which have not been ranked in order of priority):

*Deliver the Coalition's commitments on high speed rail*

Carry out the preparation needed to start construction of the first phase of a high speed rail network for Britain early in the next Parliament. HS2 will increase capacity, connectivity and promote economic growth. The initial network will link London, Birmingham, Manchester, Leeds, Heathrow, and HS1, plus intermediate stops and through-running to other cities.

*Deliver a sustainable and customer-focused railway*

Make our railway sustainable by: addressing the high cost of running the UK railway compared with other countries; making the most of our current infrastructure; and continuing to invest in infrastructure such as Crossrail, the Intercity Express Programme, electrification of the network, and tube upgrades.

*Support sustainable local travel*

Support sustainable growth by investing in local transport, decentralising funding and powers, tackling local congestion and making public transport (including light rail), walking and cycling more attractive.

*Invest in our roads to promote growth, while reducing congestion and tackling carbon*

Invest in the strategic road network to promote growth and address the congestion that affects people and businesses, and continue to improve road safety. Support the market for electric and other ultra-low emission vehicles and ensure the infrastructure is in place to support the adoption of low-emission transport.

*Promote sustainable aviation*

Create a sustainable framework for aviation in the UK, ensuring the UK is well positioned to compete internationally, improve passenger experience at airports and maintain high standards of safety and security for passengers and freight.

**3) Arising from your answers above, please provide a list of the most important capabilities your department requires in order to:**

- a. achieve your strategic aims;**
- b. deliver your three key departmental programmes set out in answer to question (2); and**
- c. deliver any key cross-departmental programmes that you are involved in (where another department would regard itself as “lead department”).**

The Capability Review published in March 2012 showed that, to deliver our Business Plan commitments, we need to be capable of:

1. Working in partnership across the transport sector i.e. using customer insight to deliver transport solutions.
2. Developing our people i.e. have the right people with the right skills to enable them to deliver more effectively
3. Resource planning & management i.e. continue to actively manage resources through corporate planning to deliver transport solutions

**4) Please also provide a brief analysis of any skills shortages or deficiencies that you have identified as posing a risk to the successful achievement of your strategic aims and programmes.**

We are in the process of developing a skills strategy for the Department which will identify our current strengths and weaknesses and what we will do to address them. That work is ongoing but it is likely, amongst other things, to identify the need to improve our commercial skills and awareness; maintain and develop our programme and project

management skills; and further develop and improve our leadership and people management capability.

### **Letter submitted by HM Treasury**

Thank you for your letter of 16 May. This letter addresses your questions:

1. The Treasury's six top strategic objectives, in order of priority, briefly explaining how they relate to the Government's overall strategic aims.
2. The Treasury's three most important departmental programmes, in order of priority – explaining how they relate to the Treasury's strategic aims or the Government's strategic aims.
3. A list of the most important capabilities the Treasury requires to:
  - a. achieve its strategic aims
  - b. deliver the Treasury's three key departmental programmes
  - c. deliver any key cross-departmental programmes that the Treasury is involved in (where another department would regard itself as the lead department).

You also asked for a list of any skills shortages or deficiencies identified as posing a risk to the successful achievement of the Treasury's strategic aims and programmes.

#### **1. The Treasury's six top strategic objectives**

HM Treasury's primary objective is to be an effective economics and finance Ministry.

As an economics Ministry, HM Treasury seeks to:

- a. Promote macroeconomic stability and maintain confidence in the macro policy framework
- b. Promote stability, fairness, efficiency and competitiveness in financial markets
- c. Promote sustainable economic growth

As a finance Ministry, HM Treasury seeks to:

- a. Ensure effective control of and value for money in public spending
- b. Ensure stable and sustainable tax receipts to fund Government spending in the least distortive way

As a high performing organisation, HM Treasury seeks to:

- a. Deliver Treasury's corporate functions efficiently and to a high standard, developing staff and ensuring the Treasury is an excellent place to work.

#### **HM Treasury's three most important departmental programmes**

Within these six objectives, the Government has emphasised that over the course of the Parliament, the Treasury should focus on:

- reducing the structural deficit in a fair and responsible way;
- securing an economy that is more resilient, and more balanced between public and private sectors and between regions; and
- reforming the regulatory framework for the financial sector to avoid future financial crises.

My business plan at: [http://www.hm-treasury.gov.uk/about\\_business\\_plan.htm](http://www.hm-treasury.gov.uk/about_business_plan.htm) sets out the Treasury's programme of work over the next three years to support these objectives. In delivering these Government priorities, the Treasury seeks to work collaboratively with operational partners, such as the Debt Management Office (DMO), the Office for Budget Responsibility (OBR), the Office of Tax Simplification (OTS) and UK Financial Investments (UKFI), as well as with stakeholders across Whitehall and in the broader public, private and third sectors.

### **HM Treasury's capabilities**

Following a departmental Capability Review, the Treasury published its Capability Action Plan in April at: [http://www.hm-treasury.gov.uk/about\\_capability.htm](http://www.hm-treasury.gov.uk/about_capability.htm)

In line with the cross-Whitehall process, the Capability Review measured the Treasury's leadership, strategy and delivery capability. Through the Capability Action Plan, the Treasury's Executive Management Board set out the steps it will take over the coming year to address priority areas identified by the Capability Review as follows:

- enhance Board visibility and collective ownership: raise visibility of the Board; increase understanding of its vision for the Department and demonstrate collective ownership;
- retain and recognise the contribution of all staff: improve management culture and behaviours in the Department and actively address the challenge of high turnover;
- enhance strategic engagement with stakeholders: clarify and communicate the Treasury's approach to engagement with our most important stakeholders;
- strengthen customer and stakeholder insight to inform policy-making and analysis: improve the extent to which analysis is informed by insights from the delivery system;
- embed effective delivery: realise the benefits of new business planning, risk management and performance management approaches.

You also asked for a list of skills shortages identified. To ensure a consistently high standard of management and leadership behaviours across the Treasury, the Capability Action Plan sets out four specific actions to:

- a. reinforce and communicate the management behaviours expected throughout the Treasury;
- b. implement a standardised management feedback tool and use evidence to inform appraisal discussions;
- c. strengthen the extent to which management and leadership capability is considered in all SCS Pay committee, talent management and promotion discussions, including exploration of minimum expected standards; and

- d. implement programme of coaching/action learning to support strong management and leadership across Directors.

More generally, Sharon White’s recent Review of HM Treasury’s Management Response to the Financial Crisis has identified a number of issues around recruiting, retaining and developing financial service and corporate finance expertise. The Treasury will be responding to the Review shortly and I will ensure you are copied into the response.

I hope this letter is helpful to you and to other members of the Public Administration Select Committee.

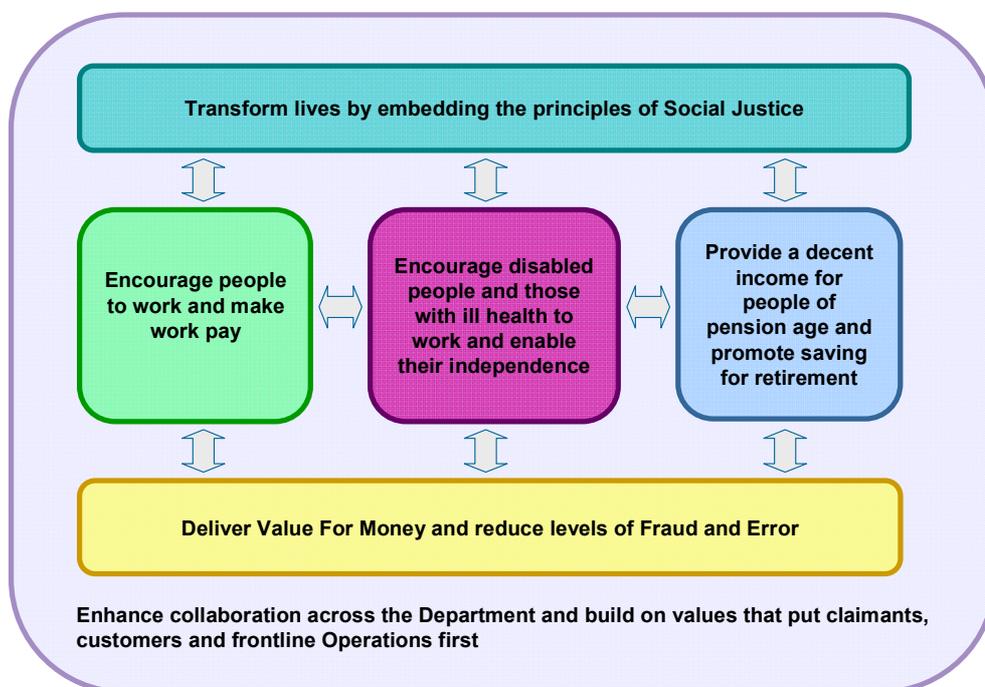
**Letter submitted by Department for Work and Pensions**

**1. What are the six top strategic objectives of your department in order of priority; and please explain briefly how they relate to the government’s overall strategic aims.**

The Department’s purpose is to create and run a welfare and benefits system which supports the most vulnerable whilst helping people who strive to become independent of its state. At the heart of this is its minimum to help people to lift themselves out of poverty and stay out of poverty, through work, saving and support. This purpose is, as for all other departments to be achieved within and - contribute to - the Government’s overall goal to put public finances on a sustainable footing.

As a result, we have five interlinked strategies, summarised in Figure 1.

**Figure 1 – The Department’s strategic priorities**



In more detail, the Department’s Social Justice strategy is based on understanding and tackling the root causes of poverty rather than its symptoms. The principles of Social Justice (see Figure 2) will increasingly influence the Department’s overall direction, its policy and the delivery of its services. This will ensure that the most disadvantaged in society have the tools they need to realise their potential.

**Figure 2 - The principles of Social Justice**

- a focus on prevention and early intervention;
- focussing interventions to enable recovery and independence;
- promoting work as the most sustainable route out of poverty;
- recognising and promoting the role of the voluntary and community sector and grassroots deliverers in offering support;
- encouraging innovation in commissioning, funding and delivery. Rewarding creativity, maximising impact and minimising risk to the taxpayer. and
- a focus on the social return delivered by interventions to encourage

To deliver its Social Justice strategy and transform welfare on the Department is delivering major reforms across the areas of welfare, disability and pensions. These reforms are discussed in more detail in the response to Question 2 below.

At the same time as delivering these ‘once in a generation’ reforms the Department must continue to deliver and improve its services, in a demanding environment: there are challenges in the economy and in unemployment, and an overriding need to put the public finances on a sustainable footing. So the Department will continue to prioritise providing value for money for the taxpayer including by reducing losses due to fraud and error.

The Department’s strategic priorities in turn reflect the Government’s values of freedom, fairness and responsibility. They are also designed to deliver the aims set out in the Programme for Government:

- growth - driving economic and social growth by enabling enterprise and the Big Society;
- open public services - making sure everyone has access to the best possible public services, and that the best become better still;
- red tape challenge - reducing the stock of regulation which adversely impacts on business;
- civil society compact - ensuring that the Government and civil society organisations work effectively in partnership to achieve common goals and outcomes for the benefit of communities in England;
- sustainable development - working with civil society organisations to tackle major sustainability issues especially climate change; and
- efficiency - making government more efficient by reducing operational overheads and radically reforming the way public services are delivered.

Specifically, by delivering its strategic priorities the Department will:

- contribute directly to a stronger economy by putting the welfare and pension systems on a sustainable footing ensuring that work always pays, and contribute to social growth by increasing social mobility and reducing poverty;
- deliver services that are accessible, efficient and based on customer needs, for example by introducing more freedom and flexibility to allow staff at the frontline to innovate to achieve the best possible outcomes for their customers;
- simplify regulations and processes to reduce the bureaucracy involved in the welfare and pension systems and the associated burden on business and civil society;
- through prudent procurement practices support the Cabinet Office aspiration that 25 per cent of Government procurement spend will go via Small and Medium enterprises by the end of this Parliament;
- deliver the Department's sustainability targets to contribute to the Greening Government Commitments; and
- work collaboratively with HM Revenue and Customs to reduce levels of overpaid benefit and develop modern service delivery approaches to drive efficiencies.

**2. What are your three most important departmental programmes in order of priority; and in each case, can you explain briefly how they relate to your six departmental strategic aims or to the Government's overall strategic aims?**

The Department's programme of structural reform aims to deliver improved outcomes for claimants and customers through transformation of the welfare and pension systems and the way that they are delivered. Building on the principles of Social Justice the Department is putting in place simpler, more efficient and sustainable welfare and pension systems for the next generation.

The Department's overall portfolio of programmes and projects addresses the challenges of all of the Department's customer groups. The three most important programmes are:

- **Universal Credit** which will put in place a simpler, fairer welfare system that ensures that the momentum of the system is always to move people into work and that work always pays;
- **Personal Independence Payment** which will focus support on those individuals who experience the greatest challenges to remaining independent and enable them to take an equal role in society; and
- **Pension Reform** which will address the issues raised by an ageing society and widespread under-saving for retirement. It will encourage employers to provide high quality pensions and make automatic enrolment into workplace pensions and higher pension saving a reality. It will implement phased changes to the state pension age and allow more flexibility around retirement.

While the Department's immediate delivery focus is on preparing for the launch of the Universal Credit and the Personal Independence Payment in 2013, delivery of reforms to the state and private pension systems will become increasingly important over the longer term as the Government addresses the issues raised by an ageing society and widespread under-saving for retirement.

Each of these programmes contributes to the delivery of the Department's strategic objectives as summarised in Figure 3 below.

**Figure 3 – The contribution of the Department's three main programmes to the delivery of its strategic priorities**

	Universal Credit Programme	Personal Independence Payment Programme	Pension Reform
Transform lives by embedding the principles of Social Justice	✓	✓	✓
Encourage people to work and make work pay	✓	✓	
Encourage disabled people and those with ill health to work and enable their independence	✓	✓	
Provide a decent income for people of pension age and promote savings for retirement	✓		✓
Deliver value for money and reduce levels of fraud and error	✓	✓	✓

**3. Arising from you answers above, please provide a list of the most important capabilities your department requires in order to:**

- a) achieve your strategic aims,
- b) deliver your three key departmental programmes set out in answer to question 2 and
- c) deliver any key cross governmental programmes that you are involved in (where another department would regard itself as 'lead department').

For all three, the Department needs the right people with the right skills, knowledge and capability in the right roles. We know that to deliver our demanding reforms and to maintain performance of our current operations at a time of declining resources requires a strategic and new approach to how we are organised, deploy our resources and motivate our staff. Last year we restructured the Department and reduced the size of the corporate centre and we believe the Department is now organised in a way that will enable us to deliver the reforms, our current business as well as making the necessary efficiencies.

This means that the most important capability we need now is that of **leadership**: the Department needs to deliver a huge reform agenda much of which profoundly affects its own nationwide operational business on which millions of people rely on every day. This requires excellent leadership at all levels of the organisation to ensure staff are clear about what's required and working effectively together to make it happen.

Secondly we place a premium on **operational management** of our services to the public, on **contract and supplier management** for those services provided by third parties.

Thirdly, the ultimate effectiveness in changing people's lives for the better depends on our capability for **high quality, evidence based open policy making**: open to the ideas and

experiences of those we serve, our partners, other government departments and the private, voluntary and academic sectors.

Specifically with regard to **question 3b)** we prioritise programme and project management capability, and IT skills, and operational transformation.

The Department has launched a '**Project and Programme Capability** Strategy' to help people build the skills and abilities they need to ensure we can deliver an unprecedented level of change on time, within budget, and as planned. The strategy covers technical, behavioural and contextual competencies including innovative business and process design, risk management, financial acumen and governance. The Department has also identified its senior change leaders who will be attending the Major Projects Leadership Academy over the coming months.

We are developing the **skills of our IT community** so that they are equipped to deliver the Government's ambition for services which are "digital by default" and where the IT must be able to work effectively and securely across networks and systems of very different design and governance.

Large scale reform also put a continuing premium on the **capability to transform operations**: putting in place the right organisations, incentives, training etc to equip staff to deliver in new ways.

With regards to **question 3c)** the capabilities described above are also those required to successfully support the delivery of the key cross-departmental programmes with which the Department is involved. For example, the Department is working with HM Revenue and Customs to develop a Real Time Information capability as a key step towards rolling out the Universal Credit from October 2013. A pilot has already begun with a view to all employers reporting PAYE in real time before October 2013.

**Please also provide a brief analysis of any skills shortages or deficiencies that you have identified as posing a risk to the successful achievement of your strategic aims and programmes.**

The extent of the reform programme, and the size of the department's operations, mean that we need carefully to manage the deployment of our existing skills and in turn to prioritise our programmes. This is challenging especially when overall resources are constrained, and where pay polices risk uncompetitive offers for marketable skills.

We also need to develop new skills to ensure our services become digital by default. The Department is building Information and Communication Technology capability across all areas of the business to enable its people to:

- become digital advocates, capable of providing coaching and support to customers to enable them to adopt online services; and
- develop skills and capabilities they can use to support customers and claimants with complex problems as routine transactions become automated.

In addition new digital services will require the Department to enhance its counter-fraud and security capabilities, particularly to protect its systems against cyber fraud. This is a new capability set for the Department. Work is progressing with the Government's Communications Headquarters (GCHQ) and other expert domains to build an integrated security and counter-fraud model.

### **Letter submitted by Sir David Nicholson, Chief Executive, NHS**

Thank you for your letter of 22 May about your Committee's inquiry into good governance and Civil Service Reform and your interest in the challenges facing the NHS. You set out in your letter the scale of the Government's ambition in relation to the "Big Society" agenda: a decentralisation of power alongside considerable reform of public services. These two principles underpin the NHS reform agenda and I am pleased to have the opportunity to respond on the specifics of your questions in the annex to this letter.

I have copied this letter to Una O'Brien who, as Permanent Secretary for the Department of Health is joint sponsor of the Transition Programme with me; this joint ownership underlines the scale of the reforms – encompassing not just the NHS but also public health, social care, Arms Length Bodies (ALBs) and the Department itself. I have also copied it, as per your original, to the Rt Hon Stephen Dorrell MP and Sir Bob Kerslake.

#### The challenge

The health and social care system is facing the biggest set of challenges in its history. While scientific and technological advances mean that we are better at treating illness than ever before, new drugs and treatments are expensive and there are ever greater pressures on medical and social care to maintain people's quality of life for longer.

Despite the advances we have made in recent years, good health is still not shared by all. Inequalities persist between communities and regions, with preventable ill health creating significant challenges. We need to get better value from public spending on health and care, to invest more in preventing ill health and to continue to drive improvements in care to meet the changing needs of the population, and our on-going programme of reform is being designed and implemented with those aims and outcomes in mind.

#### The direction of travel

The policy direction for the reforms were set out in the July 2010 White Paper (Equity and Excellence: Liberating the NHS) and the Government response. Those aspects of the reforms requiring primary legislation have been set out in the health and Social Care Act 2012.

The reforms contained in the Health and Social Care Act will help deliver better health, better care and better value for money. The new health and care system will invest more in preventing ill health and empower local communities to plan services according to their local priorities. People will have more say in the care they receive and doctors and nurses will have more freedom to shape the services their patients use, and a wider range of health care providers will provide more choice for patients and greater value. Change will be led by local service providers and clinicians, working with local authorities, in response to the needs of their patients, carers and communities, and will give people and communities more power and responsibility in order to achieve fairness and opportunity for all.

The reforms require the removal of a number of management layers and Arms Length Bodies, which will deliver significant savings. This reduction in bureaucracy complements the wider effort to deliver £20bn of savings by 2015 through the Quality, Innovation, Productivity and Prevention (QIPP) programme, which is identifying new ways to increase productivity and efficiency while delivering better quality services to patients.

The material in the annex to this letter provides more detail on how these outcomes will be delivered, how they will support the decentralising and empowering principles of the Big Society agenda and how we are managing the programme to ensure its successful implementation. Providing the best possible services for patients within the available resources remains our fundamental goal.

## ANNEX

### Questions 1-4:

**What impact, if any, are the reforms envisaged in the Government's "Big Society agenda" likely to have on the way the NHS is organised and operates?**

**If there are no consequences for the NHS organisational structure as a consequence of the Big Society agenda, please explain why this is the case.**

**What structural reforms, if any, will be required in the NHS as a result of the reductions in running costs arising from the spending review?**

**If no structural change is required, what action are you taking to achieve the required reduction in administrative budgets?**

The Big Society aims of decentralisation and empowerment are at the heart of the reform programme in the NHS. Virtually no part of the health and care system— the NHS, social care, public health, ALBs and the Department of Health—will remain unchanged and the new structures and the way that they operate will support the "Big Society" agenda in a number of ways:

- **Patients and service users will have greater choice** about the services they wish to access, including from a wider range of providers. Patients will have stronger advocates with the establishment of Healthwatch England, a committee of the Care Quality Commission, and a new national body to represent the views of patients at the highest level, and local Healthwatch. The latter will give patients and communities a voice in decisions which affect them, and will report into Healthwatch England
- **Local authorities' role will be enhanced** through the establishment of new health and wellbeing boards, with powers to agree joint strategies for how health, care and wellbeing services should be commissioned over an area. Health and wellbeing boards will put more power and control in the hands of patients and local communities, ensuring that services work together and are responsive to their needs and priorities.
- **Responsibility for public health will also return to local authorities** to enable the wider determinants of health (such as housing) to be able to be better aligned with public health services. They will have a new responsibility to promote well being and will use their knowledge of their communities to tackle challenges such as smoking, alcohol and drug misuse and obesity. Working together with health and care providers, community groups and other agencies, they will prevent ill health by encouraging people to live healthier lives. A new organisation, Public Health England, will provide national leadership to join up local public health and health protection initiatives and work with the NHS to plan for emergencies.

- While family doctors' surgeries will continue to be the first port of call for people needing health care, they will do this by joining together to form **Clinical Commissioning Groups (CCGs)**. This means that, as well as providing patient care in the new system, doctors, nurses and other professionals will use their knowledge of their patients' needs to commission the best available services to meet them. CCGs will have the freedom to commission services for their local community from any service provider which meets NHS standards and prices—these could be NHS hospitals, social enterprises, voluntary organisations or private sector providers.
- **NHS services nationally will be led by the new NHS Commissioning Board (NHSCB)**. It will fund and support local CCGs to commission services for their communities and ensure that they do this effectively. Some specialist services will continue to be commissioned by the NHSCB centrally where this is most efficient.
- Health trusts will continue to manage hospital care with **all trusts becoming Foundation Trusts to benefit from greater independence to manage their own services**. They will be able to innovate, introducing new approaches to provide the services local CCGs want to commission and they will be able to generate private income to bolster their budgets to the benefit of NHS patients. A new NHS Trust Development Authority will support hospitals to improve so they can take advantage of the benefits of foundation trust status.
- Monitor's role as sector regulator will help to ensure there is a fair-playing field, so that new providers (for example, social enterprises, charities or the independent sector) will be able to compete to provide services where this is in patients' interests. Monitor will have a duty to protect and promote patients' interests. It will license providers of health care, ensuring that they work together in the interests of patients, and regulate prices to create a level playing field for CCGs commissioning services. the system to account on behalf of the Secretary of State.
- Politicians will no longer micromanage the NHS from Whitehall, with the Health and Social Care Act removing Ministers current wide ranging powers over the NHS. In the new system, Ministers will exercise their ultimate responsibility for the NHS through setting priorities, and holding the respective arms-length bodies to account.

### The structural changes

By April 2013, we are planning for:

- The NHS Commissioning Board to have taken on its full functions, and CCGs will have taken on their full statutory powers;
- Primary Care Trusts and Strategic Health Authorities to be abolished;
- The NHS estate that has not transferred to NHS community health providers to have transferred to NHS Property Services Ltd (a new Government owned company);
- Health and Wellbeing Boards up and running, working alongside Healthwatch and with community groups, elected representatives, health and care providers and other agencies;

- Public Health England established and the Health Protection Agency abolished (its functions —along with those of the National Treatment Agency— transferring to Public Health England).
- The time-limited NHS Trust Development Authority to have taken on full responsibilities and Monitor will have become the sector regulator for health.
- The National Institute for Health and Clinical Excellence (NICE) will have become an NDPB (National Institute for Health and Care Excellence).
- Health Education England will have taken on responsibility for education and training from Strategic Health Authorities and Local Education and Training Boards are in operation.
- The Health and Social Care Information Centre will have become an NDPB, with some functions of NHS Connecting for Health having transferred to the Information Centre as it closes.
- The NHS Institute will have closed.
- New Department of Health/Arms Length Body shared services will be established and operational.

### Savings

The new structure will better equip the NHS to meet the challenge of improving outcomes for patients whilst making better use of the resources available to it. The requirements to reduce running costs will be delivered through the abolition of Primary Care Trusts, Strategic Health Authorities and (a number of) national arms-length bodies, along with administrative savings to be made within the Department of Health. These changes, and the associated reduction in bureaucracy that will result, will have the effect of releasing £4.5 billion to the front line by the end of 2014/15, and £1.5 billion per year after that.

The reduction in bureaucracy complements the broader aim of delivering up to £20 billion of savings by 2014/15. The QIPP programme is identifying new ways to increase productivity and efficiency while delivering better quality services to patients. Measures to deliver efficiency savings for reinvestment in frontline services include:

- delivering care closer to home, away from an expensive acute setting;
- reducing unscheduled care and emergency admissions to provide better quality services for patients.;
- supporting patients with long-term conditions to gain independence through earlier diagnosis and improved self-management.
- streamlining of public health services;
- staff reductions and a shared service approach across the Department and its ALBs

Whilst the first year of QIPP delivery in 2011/12 marked a strong start to the four-year QIPP challenge, with the NHS forecasting delivery of £5.8 billion (as at 03 2011/12) of savings, the health system faces ongoing challenges over the remainder of the QIPP period to 2014/15. I expect efficiencies to continue to be delivered at scale and pace to meet these new demands, and improve the quality of services provided for patients.

**Question 5: How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives, and timelines?**

A Transition Programme has been set up to oversee the structural design of the new system and the associated policy development, planning, risk management and implementation, so that by April 2013 the main components of the new Health and Care system will have been put in place.

The Programme covers the NHS, the Department of Health and its ALBs. It involves the implementation of established programme management techniques, including regular reporting and the management of risk. The programme is working to a central plan, populated by key milestones.

It is being co-ordinated from within the Department of Health via a number of project work streams and Governance Boards. Detail on the Boards and Committees supporting Transition can be found at <http://www.dh.gov.uk/health/about-us/directorates/boards-and-committees/>

These include the NHS Transition Executive Forum and the NHS Future Systems Executive (both attended by SHA Chief Executives).

Transition Executive Forum

The NHS Transition Executive Forum ensures that during the transitional period, the operational delivery and the development of an NHS future system interacts effectively as part of the wider health and care system, and that the current NHS structures transition smoothly and effectively to the new system. The Transition Executive Forum also ensures the new NHS structures work together as an integrated whole, interact effectively as part of the wider Health and care system, and that the current NHS structures transition effectively to the new system and close down effectively.

Future Systems Executive

The NHS Future System Executive oversees the design and delivery of each of the NHS component programmes, ensuring they design and implement the new NHS organisations and structures as required to meet the policy intention, and that they work consistently as part of the new aligned NHS system. It feeds into the NHS Transitional Executive Forum, which will ensure the new NHS structures work together as an integrated whole, interact effectively as part of the wider Health and care system, and that the current NHS structures transition effectively to the new system and close down effectively.

Assurance is being provided by the establishment of an Integrated Assurance and Approvals Plan, implementation of a number of targeted Gateway and Major Projects Review Group reviews, and the support of a former Whitehall Permanent Secretary, who is providing non-executive advice and expertise. The Programme has also included widespread, and on-going, engagement with stakeholders, and a pause in the programme to allow the Government to engage further on its proposals as part of its "Listening Exercise".

Timelines

The major milestones for April 2013 are set out under Questions 1-4. A start up in shadow form of major bodies and the appointment of leaders for the new system; both these developments enable detailed planning and preparations for the new system to take place in tandem with the continued operation of the current health and care system. For example:

- The NHS Commissioning Board Authority has been established to make preparations for the establishment of the NHS Commissioning Board as an Executive NDPB;
- Shadow health and wellbeing boards bringing together leaders of the health and social care system with local commissioning groups, elected representatives, social care and public health providers
- The establishment of the Health Research Authority as a Special Health Authority

Prior to April 2013, we will see the following key organisation milestones:

- June 2012- the NHS Trust Development Authority and Health Education England (HEE) will be legally established as Special Health Authorities
- October 2012-the NHS Commissioning Board is established as an Executive NDPB and carries out limited functions, including authorisation of CCGs
- By October 2012- the abolition or operational closure of the following NHS ALBs: National Patient Safety Agency; Appointments Commission; Medical Education England; Council for Healthcare Regulatory Excellence;

**Question 6 : What consideration has been given to retaining or acquiring those skill sets - for example (i) expertise in contracting and commissioning, or (ii) facilitating community leadership and social action - necessary to deliver the Government's reform plans?**

The agreed transition process for moving people from the old system to the new system is by way of staff transfer. Transferring staff by way of Transfer Schemes not only protects employees' terms and conditions of employment but also retains the skills and experience required for the new organisations. Where there are vacancies, or if any skill deficits are identified, then the new organisations will be able to recruit the skills needed.

Despite having processes for transferring staff in place, however, implementation of such radical and wide-ranging change—and accompanying reductions in administrative staff—risks a loss of corporate knowledge and key skills.

The NHS is working with the Department of Health to develop People Transition Policy documents, aimed at setting out transition processes and the principles underpinning them. These are complemented by an HR Framework, which sets out agreed principles in respect of staff retention designed to ensure key skills are retained.

The NHS Commissioning Board is also in the process of designing and progressing its recruitment strategy, which includes an assessment of applicants, and is in the early stages of establishing its Organisational Design strategy to ensure those new employees at the NHS CB have the development opportunities to acquire skills to meet the requirements of the new system.

A development and support programme for CCG leaders will help to retain commissioning skills as well as supporting them as leaders in their communities. The NHS Commissioning Board is running a comprehensive development programme for leaders in commissioning, and there is an agreed set of competences required to deliver successful clinical commissioning. Along with the technical skills required for commissioning there is work in development around 'leading in a health community', which combines some of the technical skills required alongside those needed for engaging communities. In addition, the

NHS Leadership Academy has engaged an expert advisor on leadership in social enterprise, co-operatives and mutuals, who offers expertise in the design and development of our programmes as well as curriculum input. Work is also on-going across local government and health, and include some "Big Society" challenges as part of the Top Leader development programme.

Further measures undertaken, or being undertaken, to address the potential loss of key skills during the transition period, and to facilitate closer working at a local level, include:

- Clustering of PCTs and SHAs, which will help the NHS to reduce staff numbers by natural wastage where possible, thereby giving management a greater control over who is redundant, and reducing the risk of work being destabilised as/when staff leave;
- A robust authorisation process to ensure that clinical commissioning groups take on budgetary responsibilities only when they have demonstrated that they have the necessary capacity, capability and systems in place to do so effectively;
- Supporting emerging commissioning groups through a wide-ranging development programme until they are ready to be authorised;
- In parallel to the development of CCGs we are developing commissioning support services (CSSs) to will provide external support for both CCGs and to the NHS CB in its direct commissioning functions. Over time these services will be provided through the market. The current focus of the NHS Commissioning Board Authorities (NHS CBA) work is to develop NHS staff in PCTs who currently deliver the majority of these services in developing viable services. Given the immaturity of both customers and suppliers, a key part of the strategy is for the NHS CB to temporarily host these services, until 2016 at the latest.. This is a key plank in retaining staff, skills and corporate memory and ensuring business continuity in critical areas. However, it is also important to bear in mind that the new commissioning support services will operate very differently from the way PCTs operated, so inherent in the transformation is the development of radically different business models and significant culture change. This means that the NHS CBA's programme of work includes a comprehensive support programme for the new services and their leaders to facilitate them in operating as independently as possible from April 2013.
- Populating roles that require key skills as early as possible in the process;
- Monitoring staff as they move through the system;
- A new Integrated Planning & Performance Management Process which will focus on both current and future performance, thereby directing management's attention to where performance may be starting to slip, and enabling resources to recruited and deployed accordingly;
- Engagement with key national bodies through the GP Working Group
- to ensure an appropriate end-state commissioning support structure is in place, and capable of delivering support required by April 2013 date;

- The establishment of a National Learning Network for health and wellbeing boards. This includes the joining up of support for councils with clinical commissioning groups, undertaking work to emphasise the critical role of SHAs and PCT Clusters in supporting partnerships with local authorities and Health & Wellbeing Boards.

High Quality Patient Care demands first class education and training of health professionals. A new organisation (Health Education England) will make sure the healthcare workforce has the right skills and training to improve the care patients receive. It will support a network of local education and training boards (LETBs) which will plan education and training of the workforce to meet local needs.

**Question 7: What lessons do you draw from previous reforms either within your Department, from other Departments, or from other organisations outside central Government?**

The current reforms, which cover the entire health and social care sector, are on such a large scale that direct comparisons with other reforms are difficult.

We have learned from previous reorganisations and reviews of the NHS and the Department of Health that reforms need to be implemented at pace and that senior management need to ensure honest and open communication with those affected. The current plans were designed with both these messages in mind.

While previous reforms may not be comparable, we have sought and acted on feedback from stakeholders and external experts during the transition planning period

Listening Exercise

In the light of concerns from stakeholders and organisations about plans for implementing our the proposals, the Government decided that it would be appropriate to pause the passage of the Bill, listen, reflect on the plans and improve them where necessary. The resultant "Listening Exercise", led by the NHS Future Forum, recommended a number of changes to ensure a more successful transition and the Government accepted them all, making amendments both to the Bill and to its wider reform plans. Some of these were substantive legislative changes, while others were to do with the pace and sequencing of the transition itself. In particular:

- Changing the timescale for the establishment of CCGs, so that all would be established by April 2013, without a two-tier system. But where a group is not yet ready, the NHS Commissioning Board will commission on their behalf.
- Monitor to continue to have transitional powers over all Foundation Trusts until 2016 to maintain high standards of governance during the transition.
- A careful transition process on education and training, to avoid instability.

External challenge

The Departmental Transition Programme has worked closely with the Cabinet Office Major Projects Authority (MPA). The MPA has had a wealth of experience of carrying out Gateway Reviews, and Major Project Review Group (MPRG) reviews, of change programmes across Government. It has brought its experience to bear during a series of reviews of key aspects of the programme, including an MPRG review of the programme as

whole in January. The Transition Programme is committed to implementing all recommendations arising from the resulting report.

The Transition Programme has also employed the services of Sir Ian Andrews. Sir Ian is a former Whitehall (Ministry of Defence) Permanent Secretary, with experience of change management, who has been brought into the programme to provide advice and assurance in a non-executive capacity.

**Question 8: Does your reform process involve other Government Departments or public bodies?**

The programme of reform covers the entire health and social care system. In addition to the NHS, the changes being implemented are impacting directly on the Department of Health and its ALBs, with many of the latter to be changed or abolished. It also encompasses Local Government, which will play a new and central role in the delivery of the Government's Public Health agenda, and the Department for Communities and Local Government (DCLG) is represented on the Local Government workstream Programme Board.

The scope of reform means that it also impacts on a wide range of Departments and organisations outside the Health sector itself. Work has been on-going with other departments to ensure that the NHS Mandate reflects cross-government priorities and properly makes the links to this Government's wider reforms. These include the introduction of Police and Crime Commissioners, the Special Educational Needs and Disability Green Paper and the Armed Forces Covenant (we are also closely engaged with the Ministry of Defence to ensure that the healthcare needs of the Armed Forces their families and veterans continue to be met by the NHS).

The Health and Social Care Act 2012 makes provision for the NHS Commissioning Board to commission "services or facilities for people who are detained in a prison or other accommodation of a prescribed description". The other accommodation includes: Youth Offender institutes; Secure Children's Homes; Secure Training Centres; Immigration Removal centres; Police Custody Suites and Courts. The management and governance of this work and its governance is through a cross-Departmental Health and Criminal Justice Programme Board with integral other Government Departments being the National Offender Management Service, Ministry of Justice (MOJ), Home Office, UK Border Agency and the Youth Justice Board. Both MOJ and the Department of Health share joint business plan commitments.

The Programme has also been working closely with the Department for Education on implementing the health visitor programme -they sit on the Health Visitor Programme Board. The NHS Commissioning Board will assume responsibility for delivering the new health visitor service.

In addition to the setting up of a number of new Health ALBs (as set out under Questions 1-4), the role of the Department of Health itself will fundamentally change. Its role going forward from 2013 will be to maximise the health and wellbeing gain for the population through its stewardship of the adult social care, public health and NHS systems, and its work with other government departments. It will do this by:

- setting strategic outcomes for the health and adult social care system and assuring delivery through its stewardship of the systems
- securing resources for the health and social care system

- setting the regulatory, policy and legal framework for the health and social care system; and
- providing system leadership for the whole system.

# Analysis by Professor Andrew Kakabadse

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## Analysis of Response - Department for Business, Innovation and Skills

The four questions posed to Permanent Secretaries by the Chairman of the Public Administration Select Committee (PASC) are summarised as,

- the six top Departmental strategic objectives and how these relate to the Government's overall strategic aims.
- the three most important Departmental programmes and how these relate to the six objectives/Government strategic aims.
- the most important capabilities to realise the strategy/programme priorities.
- the shortages/deficiencies that could risk the realisation of strategy/programme priorities.

Building capability in order to realise strategic/programme priorities raises considerations of the,

- ability to align resources to the stated objectives/programmes priorities, and the,
- quality of engagement between internal and external stakeholders.

My and other's research repeatedly identifies that the derailment of strategy occurs because of the leadership neglect of the dual but inconsistent demands of alignment and engagement. Therefore, in the analysis of each response, I concentrate on alignment and engagement as the two criteria to analyse the comments from each Department.

### Q1 Strategic Objectives

The Response emphasises growth as the critical priority for the Government and BIS, captured in the Plan for Growth (March 2011). Four ambitions are identified.

- To create the most competitive tax system in the G20.
- To have the UK as the country of choice to locate, grow and finance businesses.
- To realise a balanced economy through investment and exports.
- To create an educated and highly flexible workforce.

The Response identifies a range of strategies to achieve these ambitions, namely:

- To have the UK as the country of choice in Europe to locate businesses.
- To develop an industrial strategy that fully realises new business opportunities, particularly in manufacturing and services, through working with Local Enterprise

partnerships, through access to finance and through support for investment through the Regional Growth Fund.

- To nurture a positive business environment and protect and empower consumers through reform of the competition and governance framework and through reforming employment laws to ensure a fair, effective and efficient labour market.
- To support the vulnerable through consumer advice bodies and reform of consumer law.
- To focus investment in service and innovation initiatives that generate knowledge and technologies that enhances the UK's competitiveness.
- To grow a highly skilled workforce.
- To attend to the skills gap identified in the Plan for Growth.
- To access high quality training that focuses adult education to where it is most needed whilst being cognisant of fairness and social mobility concerns.
- To stimulate UK exports and inward investment through a range of initiatives such as, working closely with the Defence Sales Organisation, whilst ensuring for legitimate military use; through the BIS/DfID Trade Policy team to liberalise global trade and through better regulation to intellectual property management.

## **Q2 Programme Priorities**

Three top projects are identified (Departmental Expenditure Section, BIS Business Plan, 2012) as the:

- Higher Education Programme, providing excellent universities, research and increased business innovation.
- Further Education Capital Programme, growing an internationally competitive skills base and promoting opportunity for individuals to realise their potential.
- Green Investment Bank, supporting the Boost enterprise and 'decade of the entrepreneur' initiatives.

## **Q3 Capabilities**

The Response draws attention to the progress BIS has made in terms of capability development (captured in the Capability Action Plan, March 2012). Further, progress made through the Department's change programme will be published this summer in the Continuous Improvement Strategy and Implementation Plan. These exercises have identified the priority skills needed, which include:

- Commercial expertise, developed through the Department's flexible resourcing model accommodating for knowledge and skills transfer across the Civil Service.
- Programme and Project Management (PPM), which, in collaboration with the Major Projects Authority, has exposed 500 staff to the PPM capability development programme.

- Working with international partners by drawing on the international network within BIS and through making available relevant training opportunities via the European Skills Academy, attended by Civil Servants across Whitehall.
- Analytical expertise, identified as a prime skill to enable BIS to champion growth on behalf of the UK. The Response emphasises the need to embed analytical rigour in the pursuit of economic and social research and evaluating the impact of change.
- Financial expertise, enhancing value for the tax payer.
- Secondment and interchange as mechanisms for building skills, capability and enhancing understanding of the priorities and concerns for stakeholders.

In order to effectively pursue the strategic aims/programme and project priorities identified and also the development of the critical skills outlined, the Response refers to the change programme initiated in 2011 in order to have the Department be:

- More focused, particularly on Ministerial priorities.
- More flexible, emphasising team working and relying less on hierarchy.
- More committed in relation to partners, other parts of Government, stakeholders and BIS staff.
- More skilled.
- Smaller in size as a result of the 22% budget cut. It is reported that an 18% reduction in head count has already taken place.

### **Comment**

A well argued and integrated strategy is presented. The manner in which the four ambitions of the Plan for Growth are to be realised is clearly presented. How the three Departmental programmes relate to the Growth ambitions and the strategies identified to realise these ambitions, are also well integrated. The priority skill areas are cogently presented, supported by a detailed view of how they are being developed. The Response to the letter of invitation from the Chairman of PASC identifies well aligned Departmental strategies/programmes priorities with the aims of Government.

Referring to the second criteria of Engagement, the challenges in realising engagement with critical Departmental and other stakeholders is hardly given mention. Reference is made to being more focused, flexible, connected and skilled, but no detail is provided of how this is being achieved and the challenges in doing so. No indication is given of the motivation of staff and management to pursue the four ambitions and programme priorities or of the resistance to change (if any). Despite the impressive arguments indicating progress, it is impossible to comment on how effectively change is being pursued. In order to do so, further insight is needed on:

- The degree to which staff/management are engaged/disengaged, particularly as 500 people are reported to have exited BIS and yet so much is reported as achieved.

- The strain/stress staff/management experience in the pursuit of change.
- The support middle/senior management need in reconciling building teams, developing stakeholder relations, developing professional skills versus cutting costs.

I have little sense of what is happening within the Department in order for me to meaningfully comment on whether the goals and programmes mentioned will be realised as stated.

Further, no mention is made of the contribution of the Board and the Non Executive Directors to the design, implementation, monitoring and mentoring of the strategies and programmes mentioned. Why is this the case?

Overall, the Response presents clear argument on the quality of Alignment between resources, ambitions, programme priorities, but virtually no indication of the engagement challenges being faced/to be faced.

Without additional insights, it is difficult to offer meaningful comment on progress made in terms of realising Departmental ambitions/programme priorities.

### **Analysis of Response - Cabinet Office**

#### **Q1 Strategic Priorities**

The response affirms the Cabinet Office's two roles of:

- Acting as the strategic centre of Government (alongside HM Treasury), providing leadership and oversight for the rest of Government, co-ordinating policy and providing delivery and support capability; and
- Delivering specific priorities for the Prime Minister, Deputy Prime Minister and Cabinet Office Ministers.

With these prime aims in mind, the Cabinet Offices' priorities (captured in the Cabinet Office Business Plan 2012-2015) are identified as:

- Driving efficiency and effectiveness in Government;
- Increasing transparency in the public sector;
- Reforming the UK's political and constitutional system;
- Building the "Big Society"; and
- Promoting social mobility.

No further information is provided in the response concerning the content of the strategic priorities, or progress made in realising these priorities.

#### **Q2 Capabilities**

The response identifies three key projects, the:

- National Citizen Service;
- National Cyber Security programme and
- Electoral Registration Transformation programme.

No further information is provided in the response concerning the content of the three projects or progress made to date in terms of realising these priorities.

### **Q3 Capabilities**

The response draws attention to the capabilities required for the Cabinet Office to realise its strategic and programme priorities as well as the capabilities required to co-ordinate and drive the implementation of the Civil Service Reform Plan across the Civil Service. The response identifies the oversight role of the Civil Service Board and Reform Board in monitoring progress on Civil Service Reform Plan implementation. The response also draws attention to the central theme of the Reform Plan of building capability, identified as strengthening skills, deploying talent and improving organisational performance, so that the Civil Service delivers the Government's priorities.

### **Q4 Skills Shortages**

The response highlights the current skill gaps as those of leading and managing change, commercial, financial, programme and project management, digital, risk and driving for continuous improvement. The response mentions that recruitment and programmes for development will act as the mechanisms for dealing with skills shortages.

Further, the response discusses the attention given to addressing the skills development needs of the Cabinet Office. It is stated that considerable investment has been made in commercial, project management and digital skills over the past few years. In light of these investments, a broader audit is underway to identify what further skills development is required.

### **Comment**

The response provides brief, to the point but sparse information on the nature of the strategic and programme priorities being pursued, the capabilities and strengths in place and areas of skills development. This is disappointing bearing in mind the central role of the Cabinet Office and its emphasis on leading change and driving efficiency and effectiveness across Government.

As there is no summary of progress, or more specifically a detailed insight into the challenges that need to be addressed in the short to medium term, I am compelled to ask:

- Why was no further information provided, other than reference to the Cabinet Office Business Plan and the Civil Service Reform Plan, when the questions asked by PASC referred to specific information being required?
- To what extent are the other Government Departments engaged with or supportive of the Cabinet Office in meeting Government priorities, with special reference to "Big Society" and political and constitutional reform?

- To what extent is the leadership of the Cabinet Office sensitive and responsive to the challenges that each Government Department faces so that ownership of Government priorities, stewarded by the Cabinet Office, are integrated with Departmental goals and objectives?
- To what extent is there a meeting of minds or open debate amongst the Permanent Secretaries concerning integrating multiple priorities and being aware of strategic and programme and project implementation challenges being faced, so that a realistic re-assessment of progress is being made?

I feel it important to state that the brevity of the Cabinet Office response raises questions concerning the progress claimed by other Government Departments. The heart of Government needs to be seen to be taking the lead in meeting Government priorities, detailing which areas require attention and which skills and capabilities require development, only after a detailed analysis of programme and project strengths and deficiencies.

As the Response offers insufficient insight on the levels of alignment and engagement within the Cabinet Office and across Government, it is difficult to comment on how effectively strategic and programme priorities are being pursued within the Cabinet Office and across the Civil Service.

### **Analysis of Response - Department for Communities and Local Government**

#### **Q1 Strategic Objectives**

The Response identifies the Department for Communities and Local Government (DCLG) core purpose as Better Government, Better Places and Better Department. To realise such purpose, nine policy priorities are presented, all focused on realising the Government's aims of economic growth, reducing the deficit and decentralisation of power.

Specifically, the Better Government core purpose is realised through:

- Implementation of the Localism Act.
- Local Government Resource Review.
- Community Budgets.
- Fire.

The Better Places core purpose is realised through:

- Housing Strategy.
- Local Growth.
- Planning.
- Troubled Families.
- Integration.

No further information is provided for comment.

## **Q2 Programme Priorities**

The Response states that the strategic priorities are delivered through the Departmental programmes as identified in the Business Plan. Examples of such programmes are offered. Attention is drawn to the large number of housing programmes which include NewBuy, Affordable Homes and Empty Homes programmes. Further, the Response emphasises the Department's focus on creating conditions for local growth through local empowerment and removal of barriers to growth. This involves working with Department for Business, Innovation and Skills in administering the Regional Growth Fund and other funds, in working towards generating Enterprise Zones and Local Enterprise Partnerships in order to generate jobs.

The Response also provides brief detail on the Troubled Families and local government decentralisation priorities being actioned.

## **Q3 Capabilities**

The Response draws attention to the Capability Action Plan (May 2012) which captures the Department's plans to further develop the core capabilities necessary to evolve the programme priorities. The Response refers to the Department's Capability Action Plan which sets out how capabilities will be developed and which areas are in need of particular attention. Specifically, the Response presents the five capabilities necessary to deliver on the strategic aims/programme priorities, which are:

- Influencing capabilities.
- Innovative approaches to policy making and delivery.
- Articulating a clear and compelling purpose.
- Ensuring staff have access to learning and development opportunities.
- Strengthening the Department's leaders and leadership team.

The Response affirms the importance of capability development in order to meet the goals of cross-Departmental programmes such as welfare reform with the Department for Work and Pensions and adult social care with the Department of Health.

## **Comment**

Overall, the Response offers little information other than broad headings on the strategic/programme priorities being pursued and the nature of the challenges in further developing skill in the core capabilities identified.

The brevity of information provided compels me to ask:

- What is the level of engagement between staff/middle level management and the leadership of the Department like bearing in mind the emphasis on local empowerment/local growth whilst in the process of reducing deficit?
- What specific concerns are being faced in terms of influencing?

- What in particular needs to be done to strengthen the leadership team of the Department?
- As the areas for capability development seemingly focus on enhancing the engagement skills of management in order to motivate and focus internal stakeholders and better co-ordinate with external agencies, why is no mention made of the Board and drawing on the experience of the Non Executive Directors when one of the two prime functions of any board is to mentor/facilitate/advise on creating a sensitive, service oriented culture for the future?

Further information is necessary on the levels of engagement within the Department and across its stakeholders in order for me to meaningfully comment on the progress being made towards realising the strategic/programme priorities being pursued.

### **Analysis of Response - Department for Culture, Media and Sport**

#### **Q1 Strategic Objectives**

The Response identifies five strategic priorities (dcms Business Plan 31 May 2012).

- Deliver the 2012 Olympics and Paralympics.
- Create a sporting legacy from both Olympic and Paralympic Games.
- Create the conditions for growth.
- Boost 'Big Society' and strengthen cultural organisations.
- Facilitate the delivery of universal broadband and improved mobile coverage.

The Response continues that major responsibilities are being pursued in conjunction with the five strategic priorities and include accountability to Parliament for spend, supporting innovation in the arts, and co-ordinating across Government in supporting key events/celebrations marking the Queen's Diamond Jubilee. The Response identifies that the remaining objectives in the Business Plan also hold equal priority.

The Response emphasises that dcms is in the middle of an ambitious change programme (2010-14) whereby the Department's administration costs are to be reduced by 50%. It is reported that the progress made is impressive with a reduction of the core Civil Service by more than 50% combined with introducing flexible resourcing across the organisation.

#### **Q2 Departmental Programmes**

The Response highlights that the most important programme is the delivery of the Olympics and Paralympics.

The second most important is delivery on the best superfast broadband network in Europe by 2015, which involves,

- a £530 million investment to stimulate commercial investment through high speed broadband in rural communities.

- a £150 million investment to improve mobile coverage for consumers and businesses in poor or non-existent coverage areas.

The Response further identifies the prioritisation of the Secretary of State's other key projects, which are,

- rolling out the Government's Tourism Policy thus stimulating economic growth.
- the implementation of the Youth Sport strategy and establish the School Games as an annual event, both outcomes of the Olympics legacy plans.
- create a network of new local TV stations and increase philanthropic giving to the cultural sector, both acting as efforts to boost 'Big Society'.

### **Q3 Capabilities**

The Response reiterates that dcms is in the midst of transition. The reducing of administrative costs whilst pursuing the broadband and telecommunications priorities in addition to the 2012 Games has required particular skills and strengths from the Department. The Department's Capability Self-Assessment (April 2012) emphasised the need for economic skills to pursue the Government's top priority of boosting economic growth. Further, strong project/programme management skills are required as well as offering the Department's staff and management the opportunity for further development through working on a wide network of priorities delivering on the Government's important agendas. The need to have an innovative and flexible approach to delivery is discussed. The Response reiterates the need to have highly skilled staff with broad expertise and experience but states that may not be possible in a small Department. Therefore, offering secondment opportunities as well as bringing people in 'on loan' are schemes already underway. In addition, the Response informs that a series of Master Classes have been initiated as a form of continuous development for staff.

### **Comment**

The Response is brief, to the point and provides sufficient detail through the Department's Business Plan and two recent Capability Reviews. The prioritisation of strategic/programmes objectives are clear as are the skills needed to realise these outcomes. Further, it should be noted that this Response is one of the few that prioritises 'Big Society' and offers some indication of how 'Big Society' is being operationalized. This Response clearly aligns resources with strategic and programme priorities, identifying successes realised and further development needed.

However, and especially as the Response identifies that dcms is in the midst of a change programme, further insights on,

- the level of open discussions between staff and management in addressing the challenges to seeing through change,
- the level of motivation/stress/strain staff and management currently experience,
- the degree to which management need to act as coaches to their own teams,

would have been helpful to gauge progress being made.

The Capability Reviews do offer insights on the need for better leadership and greater engagement with internal and external stakeholders, but further insight into the current situation would have made it easier to comment on progress being made in terms of realising the programme priorities identified.

## **Analysis of Response – Ministry of Defence**

### **Q1 Strategic Capabilities**

The response opens by identifying the Ministry of Defence's vision to deliver a versatile, agile and battle-winning, Armed Forces capable of working effectively with each other, directed and supported by a professional Ministry, with people ready to lead, whilst being critically attentive to costs. The prime aim is to protect the UK's security in a fast changing world. Four strategic priorities are identified to deliver on the vision, namely to:

- Succeed in Afghanistan (status critical) through creating security and stability in Afghanistan and training the Afghan National Security Forces to provide for their own security;
- Fulfil standing commitments, including, strategic intelligence, strategic nuclear deterrent, defence against direct threats, counter terrorism and military aid to civil authorities;
- Succeed in other operations at home and overseas through providing defence contributions to enhance the UK's influence, projecting power strategically, facilitating expeditionary operations, providing security for stabilisation and providing defence contribution to support other departments (e.g. the Olympics and Paralympics); and
- Transform defence by restructuring the armed services as determined by the Strategic Defence and Security Review (SDSR), rebuilding the Armed Forces Covenant and developing a New Employment Model for the Armed Forces, implementing the new Defence Operating Model in order to reduce running costs and have a more effective organisation, deliver defence in an effective, efficient and sustainable manner through meeting benchmarking, efficiency and sustainable development targets.

Overall, the response prioritises safeguarding national security, supporting British troops in Afghanistan and meeting the structural reform priorities, particularly that of reducing the deficit.

### **Q2 Departmental Programmes**

The Departmental programmes identified overlap with the strategic objectives and focus on:

- Afghanistan, combating insurgency and building the capability of the Afghan National Security Forces so that they are able to take responsibility for their security provision by the end of 2014;
- Nuclear deterrence, a small proportion of the defence effort; and

- “Transforming Defence”, driven by “value for money” or cost reduction concerns so as to emerge with both a smaller battle-winning Armed Forces and more professional Ministry of Defence which supports Ministers in setting clear priorities, in being transparent and honest with Parliament and with the public and in supporting the Armed Forces.

The response draws detailed attention to the Transforming Defence Programme, particularly the creation of Future Force 2020, which is identified as a key vehicle to changing how the MoD functions. Initiatives such as “Transforming our Department”, which is positioned as empowering the Command Structure of the Armed Forces and MoD, supported by professional acquisition organisations, is mentioned alongside “Transforming our Behaviours”. Both are considered key programmes of structural and behavioural change. In order to address the co-ordination and integration issues across programmes, each has its Senior Responsible Owner, drawing on portfolio management levers to effectively deliver defence capability.

### **Q3 Capabilities**

The response identifies the key capabilities required to deliver on the strategic and programme priorities as,

- interfacing across Government, key allies and partners;
- maintaining a flexible, agile and battle-winning Armed Force with the right equipment, training, people and support;
- supporting Service Personnel and their families, Reserves, veterans and civilian staff and
- transforming the MoD itself to meet its challenges by designing a simpler, cost conscious, more effective organisation.

The response details a considerable range of capabilities, such as financial, policy, engineering programme and project management, procurement, logistics, etc. The response emphasises the considerable level of capability in the MoD and affirms its capacity to discharge the functions of an education authority, primary care and hospital trusts, local authority social services and housing departments and Police Authority. More specifically, examples are provided of the acquisition, commercial, logistics and medical capabilities required for Afghanistan; the specialist acquisition capabilities and engineering capabilities required for deterrence; and the comprehensive set of capabilities necessary for the “Transforming Defence” priority, especially those business leadership, communication, management skills and portfolio, project and programme management.

### **Q4 Shortages**

The response offers ample detail on the capability and skills shortages faced and how these are being addressed. Drawing on the Managing Change in the Defence Workforce, the response points to the responsibilities of each of the Services to monitor pertinent insufficiencies and routinely report these to the House of Commons Defence Committee and indicate how these concerns are being addressed. Equally, it is reported that each of

the Services has undertaken an impact assessment of the effect of reducing head count in force structure.

The response discusses the need to enhance the civilian skill set by drawing on the Workforce and Skills Planning process in order to identify key skill requirements and thus focus future investment. Emphasis is placed on recruiting and developing people with the appropriate skills and expertise according to professional streams. The critical areas highlighted are; commerce, infrastructure, acquisition, finance and HR as well as complementary Civil Service skills of policy and secretariat. At senior levels, an integrated, talent management strategy for top posts in the Civil Service is built around the four key competencies of the Civil Service Leadership model and will be used to target high performers. The response further identifies that the talent management strategy is to be complemented by a new skills strategy to deliver the right people, with the right skills, now and into the future. The skills areas that are being attended to are:

- Leadership and management, focusing on the Defence Academy's Centre for Defence Leadership to educate, train and develop individuals in management and leadership; up-skilling the Senior Responsible Owners to oversee their programmes; driving on the finance e-learning package, the Financial Skills Certificate and the Defence Strategic Finance Programme; the Programme Management Development programme, offering continuous professional development leading to professional Project Management qualifications; drawing on private sector skills to support Defence Business Services, Defence Infrastructure Organisation and Defence Equipment and Support;
- Defence Business Services (DBS), contracted with SERCO, to deliver services against Key Performance Indicators and standards on a 'no win no fee' basis. The aim is to deliver best in class service at significantly lower cost. The contract is of a four year duration with the proviso that DBS be handed back to the MoD with best in class standards and with virtually no risk to the MoD;
- Defence Infrastructure Organisation, responsible for infrastructure projects, estates and property management, with the option of working with a strategic Business Partner to deliver the changes required and enhance the skills for the effective management of estates and facilities contracts; and
- Defence Equipment and Support, which is working to enhance the five key skill areas of commercial (established a commercial graduate programme); finance; programme and project management; engineering with special emphasis on the Defence Engineering Science and Graduate scheme; logistics.

### **Comment**

The response from the MoD is detailed, insightful and certainly meets its own standards of fair, open and honest reporting. Each of the questions asked have been thoroughly answered. As strengths have been highlighted, so have concerns, supported by analysis of what is being done (or not) to attend to these deficiencies. The MoD has provided a clear and penetrating overview of their strategic and programme priorities and capability strengths and areas for development. Equal transparency highlights how well (or not) the

initiatives of the MoD align with the strategic and programme priorities and whether staff, management and stakeholders are sufficiently engaged to realise these outcomes.

However, one critical question requires further examination and that is the quality of interfacing within the MoD and between the Department, its suppliers and stakeholders. The response draws attention to this issue more in terms of contractual relationship and outcomes. Only some reference is made to the behavioural dimension of engagement. Further insights are needed in the following areas:

- As the change programmes identified are already in full swing, how effective is the interfacing between the MoD and its suppliers and stakeholders?
- How effective is the interfacing within the MoD, particularly between the three Armed Services, especially as the Response opens by drawing attention to “the deep integration of the Civil Service and Armed Forces”?
- How effective is the interfacing between support and delivery units?
- How effective is the interfacing between civilian and military personnel?

The greater the degree of intricacy of change, which demands reconciling cost versus service demands, the greater the degree of integration required to work to a higher ideal from units inside the organisation. The response does not offer sufficient clear insight on what is happening in the MoD now, nor the level of motivation of staff and management to pursue change and their trust and belief in their leaders. This insightful and quality response needs to also provide a glimpse of the reality of how change is proceeding in behavioural/interfacing terms, supported by how these concerns are being addressed. Large scale change programmes require ‘turf’ to be surrendered by critical internal stakeholders for the common good. Research shows that more often than not, this is not the case.

Therefore, in congratulating the MoD for providing a professional and well crafted Response, I also have to point out that the insights needed to accurately gauge progress against strategic and programme priorities are not sufficiently evident.

Also, no mention is made of the Board or drawing on the services of Non Executive Directors to the MoD. Research and experience show that the greater the depth and stretch of change, the more the skills of board members are required to balance the monitoring and mentoring requirements of the governance of the change process.

Until greater detail is offered on interfacing (including sharing of provisions/restructuring), I am not in a position to comment on the quality of progress in terms of change or building capability on behalf of the MoD.

## **Analysis of Response – Department for Education**

### **Q1 Strategic Capabilities**

The Response identifies that the Department has the clear vision of shaping a highly educated society, allowing for equality of opportunity for children and young people irrespective of their background or family circumstances.

With this in mind, the Response identifies five strategic areas as the means to achieve the vision, namely,

- raising standards of educational achievement.
- closing the achievement gap between rich and poor.
- reforming the schools system.
- supporting children and young people, particularly the disadvantaged.
- improving the effectiveness and efficiency of the Department.

The Response continues by stating that realising the five strategic objectives is critical to the achievement of economic growth, social mobility and decentralisation of power.

Aside from economic prosperity and reducing educational opportunity disadvantage, the Response stresses the importance of having an autonomous school system with teachers and school leaders at the core of school improvement. The rapid expansion of Academies and Free Schools as well as improving teacher quality, reforming the curriculum and extending early free education to less advantaged two year olds, are the mechanisms to having an autonomous school system.

## **Q2 Programme Priorities**

The recent DfE Capability Review (December 2011) identified three delivery challenges facing the Department,

- delivering a complex reform agenda for the education system and children's services.
- shaping the Department's structure and delivery mechanisms in order to support the reform agenda.
- managing the change in senior leadership and maximising the opportunities generated from the initiative.

## **Q3 Capabilities**

The Response identifies the Department as adaptable, supported by sound leadership, with strengths in policy making and implementation, but recognises that attention is required in the following areas,

- developing a cross-Departmental narrative on success.
- building greater common purpose with partners and stakeholders.
- improving prioritisation, planning and understanding of roles through the Department for Education's Change Programme (January 2012).

The Response further affirms the progress made in terms of the launch of three new Executive Agencies; the Education Funding Agency, Teaching Agency and the National College for School Leadership, in addition to the Standards and Testing Agency (October

2011). As a result of these new agencies, the Response identifies that the DfE now has about 4,000 staff, mostly concentrated on front line delivery.

### **Comment**

The Response is brief and provides little information for comment. No detail is offered outlining the nature of the five strategic objectives other than a general statement of pursuing economic success and reducing the gap between advantaged and disadvantaged. On a point of detail, why is the National College for School Leadership identified as a new Executive Agency when such a School has existed for a number of years? Has the old National School been closed and a new one opened or is this a rebranding exercise?

Overall, too little information is offered in order to comment on how well resources are aligned to achieve these strategic objectives.

Further, and despite it being mentioned, no meaningful insight is provided about the nature of the Department's adaptability, leadership capability and policy and implementation skills which the Response identifies as positive. How is this possible when the Response also highlights developing a cross-Departmental narrative and building greater common purpose with partners and stakeholders, as areas for development? Shaping narrative for a binding vision and building a sense of common purpose across stakeholder interests, are the two prime requirements for leadership. Unless these two issues are addressed, little else will progress. In fact, if these two are not developed or in place, the question that has to be raised is, what value does the leadership of DfE provide?

Not only because of the lack of information offered but also because of the seemingly contradictory statements made concerning leadership and partner building capability, I feel compelled to ask the following questions,

- How can progress be made if the vision narrative is neither adequately shaped nor communicated across the relevant stakeholder populations?
- What is the level of the motivation of staff and management without the vision seemingly in place? To what extent are staff, middle level management and stakeholders comfortable to raise concerns and are these addressed so that delivery challenges can be addressed?
- What are the challenges yet to be faced in terms of alignment of resources and engagement with internal and external stakeholders which, if unattended, could derail the change programme discussed in the Response?

One possible reason for such little information being provided is that the Response identifies that the Permanent Secretary and Secretary of State are to shortly announce a Review of DfE. In this review, the details lacking in the Response may be available, particularly in terms of offering further insights to the questions asked above.

However, in the absence of such information it is difficult to comment on how the leadership of the DfE has, or is developing, the capability to meet the challenges the Response identifies and the strategic goals stated. Further, why is no mention made of drawing on the services of the Non Executive Directors on the Department's Board? How

effective is the Board in the monitoring of change and mentoring the management through the challenges they experience?

From the information provided, I am not in a position to offer comment on how effectively DfE is progressing with meeting strategic and programme priorities.

## **Analysis of Response – Department for Energy and Climate Change**

### **Q1 Strategic Objectives**

The Response opens by drawing attention to the purpose of the DECC, that being to address two major risks facing the UK,

- shortfall in affordable energy supplies.
- damage to the economy, health and environment from dangerous climate change.

With these two risk concerns in mind, the Response highlights four strategic objectives,

- save energy with the Green Deal and support vulnerable consumers.
- deliver secure energy whilst progressing to a low carbon future.
- drive ambitious action on climate change at home and abroad.
- manage the energy legacy responsibility and cost effectively.

The Response continues by clarifying that the four objectives are central to the Government's wider goals of,

- securing energy supplies to promote the economy and protect consumers.
- acting on climate change to enhance economic interests, minimise climate change costs and ensure public safety and security.

### **Q2 Departmental Programmes**

The Response identifies ten important interrelated programmes supporting DECC's strategic objectives, Green Deal, new nuclear, carbon capture and storage, renewable energy, international climate change, fuel poverty, smart meters, electricity market reform, carbon budgets, nuclear decommissioning and security.

These programmes are identified as being led and monitored by DECC and many involve being actioned through cross Whitehall partnerships, with Departments such as Transport; Cabinet Office; Environment, Food and Rural Affairs; Work and Pensions; Defence; amongst others. The Response also states that DECC contributes to other Department's priorities even though not taking the lead, particularly on the growth agenda.

How DECC's main programmes are interlinked is identified in the Carbon Plan (2011) which informs of three phases to the strategies underlying decarbonisation and energy security goals:

- Phase 1, Complete and prepare – capturing quick wins through initiatives such as cavity wall insulation (now to 2020).
- Phase 2, Mass deployment - requiring large scale deployment of new technologies such as low carbon heating and electric vehicles (2020s to 2030s).
- Phase 3, Finalising – tackling the challenging ‘harder to decarbonise’ sectors as industry and aviation (2030s +).

The Response identifies two programmes as central to current priorities:

- Electricity Market Reform, involving delivering low energy prices, replacing ageing electricity infrastructure and moving to low carbon electricity through creating the conditions for private investment.
- The Green Deal, focused on helping consumers and businesses adopt energy efficient measures in a cost effective manner that supports economic growth and eliminates the need to pay up front for energy efficient measures.

### **Q3 Capabilities**

The Response draws reference to the recently published Capability Action Plan which found that DECC has made significant progress in transiting from a policy focused Department to one centred on delivery. Comments include, winning recognition for innovative policies, passion and commitment amongst the staff.

No further detailed information is provided on the capabilities required to realise the strategic/programme priorities.

### **Q4 Skills Shortages**

The Response states that despite progress, certain skill sets still need to be built up around the Department. Specifically, staff with skills in the areas of commercial, customer insight, engineering and project and programme expertise, have been and continue to be recruited. The Response further refers to the Department of Energy and Climate Change Capability Action Plan (2012) for further information on skills development. Leadership, people skills and creating a delivery culture are prioritised for development. Particular areas are identified as needing attention, namely, setting direction; developing people; developing clear roles, responsibilities and delivery models; and managing performance and value for money. The Assessment of Capability identifies the organisation as still immature due to its youth and the need for a tougher governance and delivery management process.

### **Comment**

A well argued, detailed and integrated strategy/Departmental programme priorities Response is provided. How the strategic objectives interlink with the Departmental priorities is made clear, supported by the three phases of programme roll out. Which key Departmental programmes are currently being prioritised and why is also clearly set out.

Although the Response offers little insight on the capabilities required to meet strategic/programme priorities and the skill shortages that need to be met, the Capability Action Plan highlights the areas for development. However, what the Capability Action

Plan does not detail is a more specific outline of the nature of the challenges currently being faced. For a Department that has so many partnering arrangements, further insights in the following areas would have been helpful.

- What is the quality of interfacing across DECC's partner organisations?
- How have staff and management been able to reconcile meeting priority targets and yet work towards meeting other Department's priorities?
- Especially as the term immaturity is used in the Capability Action Plan, are symptoms of burn out/change fatigue becoming visible and if yes, is that impacting on the work of DECC?
- Especially at this critical point in the change phase, does the leadership of DECC 'walk the talk' in order to have staff/management own meeting strategic/programme outcomes?

The alignment of resources to strategic/programme priorities is clearly and cogently presented.

The quality of engagement within the Department and across many partnering arrangements is referred to but further detail is necessary in order to appreciate what specific leadership and people development challenges need to be met. Further, what in particular is meant by the need to clarify roles and responsibilities?

As with many of the other Responses, no reference is made to the Board and drawing on the skills of experienced Non Executive Directors. Despite comment by the lead Non Executive Director in the Action Plan, the question remains as to why the Board is seemingly not more involved in supporting a complex, matrix way of operating in a recently designed organisation.

Despite the need for further insight, the clarity of alignment of resources to strategic/programme priorities and the recognition that more needs to be done with role/responsibility clarification, leadership and people development and that initiatives are underway to deal with these development needs, I have greater confidence that the strategic and programme priorities identified are likely to be realised.

### **Analysis of Response – Department for Environment Food and Rural Affairs**

The Response draws attention to defra's new Statement of Purpose as a means of positioning the Department's strategic/programme priorities. The Statement outlines that growing a green economy and protecting natural resources through balancing economic, social and environmental goals, protecting communities, promoting efficient businesses and helping rural communities to thrive, are fundamental considerations in striving for a sustainable future which promotes quality of life and protects natural resources.

#### **Q1 Strategic Priorities**

Bearing the Statement of Purpose in mind, three priorities and two areas of responsibility are identified.

- Government Priorities

- Support/develop British farming and encourage sustainable food production.
- Enhance the environment and biodiversity.
- Support a strong green economy, enhance resilience to climate change and work towards building thriving rural communities.
- Major Responsibilities
  - Prepare for and manage risk from animal and plant disease.
  - Prepare for and manage risk from flood and other environmental emergencies.

The Response places these strategic priorities within the context of the Government's aim of reducing the budget deficit and supporting a strong and sustainable growing economy. The Response continues by offering extensive detail of the initiatives pursued by defra in keeping with the Government priorities and major responsibilities identified. Examples of these initiatives are:

- A defra budget reduction of 30% by 2015, whilst protecting front line services and prioritising capital investment on infrastructure, particularly flood and coastal erosion.
- Growing the green economy, with the UK as the 6<sup>th</sup> largest contributor to a £3.3 trillion global economy, providing employment for 940,000 people in 2010/11.
- The Waste Resources Action Programme, saving businesses, consumers and public sector £1.9 billion and 7 million tonnes of CO<sub>2</sub> by 2015.
- Improving competitiveness in farming, food and drink, waste management, water, through removing trade barriers, ensuring the right information and support is available and strategically championing the UK which has so far contributed £85 billion per annum to the UK economy and 3.5 million jobs.
- Reducing red tape through the Government's Red Tape Challenge introduction.
- The Farming Regulation Task Force (2010) independent review has identified 200 ways to reduce red tape, leading to major reforms to benefit the food and farming sector. This is additional to the implementation in England of the Habitats and Wild Birds Directives which further reduces burdens on businesses.
- The £165 million package to boost the rural economy.
- The Natural Environment White Paper which establishes the strategic direction and policy framework for the environment for the next 50 years.
- The establishment of the Natural Ecosystems Assessment, an independent, peer reviewed assessment centre process which has identified a £1.5 billion gain from storm buffering and flood control services and £430 million from agriculture and pollination services.

## Q2 Programme Priorities

The Response informs of a change to the structure of programmes, from that of 66 programme users to adapting a business planning approach where each Director has an annual Delivery Agreement to align resources and activities with Ministerial priorities and Departmental objectives. The aim is to enhance accountability, simplify programme delivery and be more strategic. Ten programme areas are identified varying from EU/CAP Reform to rural development/sustainable communities, land management, climate change/food/water and flood risk management, and marine and animal health. Similar delivery plans deal with organisational priorities centred around essential corporate services. These programmes will be overseen through a more centralised system and thus be more targeted with greater attention given to those deemed as high risk. The new PPM is reported as concentrating on,

- Common Agricultural Policy (CAP) reform.
- Rural Development Programme for England.
- Waste.
- Water.

Similarly, the Response identifies major projects on which progress is reported directly to the Board on a quarterly basis. Ten such projects are identified which include Thames Tunnel, Shared Services, Waste PFI, Covent Garden Market Redevelopment.

## Q3 Capabilities

The Response highlights the use of capability reviews as a critical tool to meeting strategic/programme priorities. In particular, the most recent review identifies defra's change programme as able to respond to meeting the necessary challenges. Attention is drawn to both the Capability Action Plan and Civil Service Reform Plan as reference points on what needs to be changed and why.

The Response further identifies the key skill areas necessary to support defra's priorities,

- Leadership.
- Commercial (finance, procurement).
- Programme and Project Management.
- EU negotiation skills/knowledge.
- Evidence.
- Stakeholder management.
- Operational delivery.

The Response helpfully provides a detailed project schedule/action point plan, clarifying Ministerial Priorities and how these are being actioned and by when.

## Comment

The Response provides an insightful, detailed outline of how defra has streamlined its operations, introduced greater accountability to its programme and project management, integrated central quality control into programme/project delivery and drawn on the skills of the Board to enhance operational delivery. The Response fully outlines the reasons for reform and goes into considerable depth showing the impact of reform in terms of delivery.

Adopting a 'nexus of contacts' approach to organisation however, the hallmark of the Anglo American Corporate, is not supported by sufficient evidence concerning the level of engagement internally and with partners/Arms Length Bodies externally, despite mention of change and improvement plans underway. I particularly draw attention to the issue of engagement. Two critical areas for development are identified in the Capability Review Action Plan, namely, ignite passion, pace and drive; and develop people, which emphasises the need for attention to engagement but the Response does not provide information on what is happening to merit such concern. I feel it important to point out that the research into how engagement, or the lack of it, derails key programmes arose because of the over concentration on aligning soft (people) and hard (finance/structures) resources with programme/project outcomes, but with little account taken of context and legacy. It would have been helpful if further insight were offered on:

- What is the level of trust of senior management by staff/middle level management within defra?
- What co-ordination/cross communication challenges exist, if any, between defra and its key stakeholders, including Arms Length partners?
- What particular new ways of working and behaviour (as identified in the Capability Review 2012) need to be better embedded so as to realise programme priorities?
- What leadership concerns, if any, need to be surfaced/addressed in order for the strategic/programme priorities to be realised?

As the Response does not provide sufficient insight on the level of engagement within and across the Department and its stakeholders, it is difficult to comment on progress made in terms of realising the clearly designed strategic/programme priorities identified.

## Analysis of Response – Foreign and Commonwealth Office

### Q1 Strategic Objectives

The Response opens by positioning the strategic objectives of the FCO in terms of becoming the best global Diplomatic Service in the world by 2015. With this in mind, the Response identifies three strategic foreign policy priorities as agreed by the Prime Minister and Foreign Secretary (July 2010). These are:

- Security, through countering terrorism and weapons proliferation combined with working to reduce conflict.

- Prosperity, through increasing exports and investment, opening markets, ensuring access to resources and promoting sustainable growth.
- Consular, supporting British nationals through a modern and efficient consular service.

## **Q2 Programme Priorities**

It is noted that the FCO has eleven Strategic Programme Funds (SPF) supporting the Department's Foreign Policy Priorities. The Response draws attention to the nature of the various funds supporting these priorities. For example, the Security objectives are supported by the Counter Terrorism, Counter Proliferation, Returns and Reintegration and Afghanistan and Arab Partnership funds. One fund in particular, the Conflict Fund, is identified as managed through three Departments; the FCO, the Department for International Development and the Ministry of Defence.

Similarly, to support the Prosperity objectives a number of funds are identified which link across a range of priorities. The Response further identifies that on a range of issues such as counterterrorism, energy and climate change, the FCO leads in terms of international engagement.

## **Q3 Capabilities**

The Response identifies three critical capabilities necessary to realise the strategic priorities/Departmental programmes discussed. These capabilities arise from the FCO's Capability Review's findings and are being taken forward under the FCO's Diplomatic Excellence campaign in order to enhance policy creativity, in depth knowledge of nations, geographic and linguistic expertise and enhancement of diplomatic skills. Specifically, the capabilities focus on:

- First Class Foreign Policy and Diplomacy, enhancing commercial and economic diplomacy, strategic thinking, policy making, negotiations, cross Governmental working and case advocacy.
- Growing a strong and skilled work force which is well trained, holding strong values and working within a performance culture. The Response outlines that providing challenging and rewarding jobs, the introduction of new technology to enhance efficiency and increasing the number of local staff continues whilst undertaking a 10% cut in the UK based work force by 2015. It is envisaged that staff reductions in the UK are to be complemented by an increase in locally engaged staff.
- Ensuring for a strong global network in order to deliver on policy priorities supported by appropriate information and communication technology (ICT) whilst opening new Embassies and Consulates and employing 300 extra staff in Asia, Latin America and Africa.

## **Q4 Skills Shortages**

The Response refers to skills shortages and deficiencies identified in the Capability Review. It is reported that the FCO has measures in place to address these as well as investing in

training all staff, including Locally Engaged Staff with Diplomatic Excellence. Further training is underway in the areas of language, economic and commercial skills. The Response further states that the Directorates which place a premium on regional knowledge and language are exploring how to share knowledge and experience with their staff so as to enhance their performance.

### **Comment**

The Response is brief but to the point. The priority areas are clearly outlined. How these interlink with the three programme priorities of First Class Foreign Policy and Diplomacy, a strong skilled work force and a strong global network, are captured in detail.

The Response makes reference to the skills shortages and deficiencies surfaced in the Capability Review and informs that these challenges are being addressed through particular training provisions. Yet no detail is offered concerning which particular behaviours or skills deficiencies are being addressed and which remain as challenging. No evidence is provided concerning the current level and quality of engagement with staff, management and other key stakeholders. The Response does refer to improvements made in terms of capability development but does not identify the nature of the current challenges being faced. In order to meaningfully comment, further information is needed on:

- The degree to which staff/management are engaged/disengaged with the changes and improvements made.
- The degree to which Locally Engaged Staff feel integrated within the FCO headquarters.
- The quality of networking that is currently underway.
- The degree to which staff in general, and Locally Engaged Staff in particular, feel that the quality of training they receive is satisfactorily equipping them to realise Government and Departmental priorities.
- As regionalisation/localisation has been emphasised, the extent to which the senior leadership of the FCO are responsive/seen to be responsive to local needs, appreciate the intricacies of local context and display that they 'walk the talk' in terms of delegation.
- As commercialisation has been emphasised, the extent to which staff and management are responsive/seen to be responsive to commercial opportunities with global and local enterprises/entrepreneurs.

Overall, the Response presents a succinct overview of the quality of Alignment between resources and strategic/programme priorities targeted and progress being made.

Yet the Response offers little insight on the behaviour and skill concerns being addressed and the nature of these challenges currently being faced. Without these additional insights concerning the quality of Engagement within the FCO and across its stakeholders, it is difficult to offer meaningful comment on the progress made in terms of foreign policy priorities.

## Analysis of Response – Department of Health

### Q1 Strategic Objectives

The Response clarifies the goal of the Department of Health (DH) as, “... *improving the nation’s health and well-being as an opportunity to make a real difference to people’s lives and to society as a whole*”. The Response emphasises that the DH plays a central role in ensuring for an efficient and sustainable health care system. The Response identifies that the DH Corporate Plan (2012/13) is geared to delivering the Government’s strategic objectives for health and care, which are:

- A patient led NHS.
- Delivering better health outcomes.
- An autonomous and accountable NHS.
- Improved public health.
- Reforming long term social care.

The Response breaks these objectives into six priority areas, namely:

- Better health – helping people live healthier lives through improving the public health system and protecting people’s health through minimising threats to public health and promoting health and well-being.
- Better care, through reforming social care, enabling people to make meaningful choices, integration of services around the individual and greater focus on health outcomes.
- Better value, through better quality care and ensuring value for money through reducing bureaucracy, reinvesting £20 billion in front line services from savings made and simplifying the regulation of new medicines/treatments.
- Transition to a more autonomous and accountable system, through new partnership arrangements/organisations, new clinical commissioning groups and continuing with the Departmental change transformation to a smaller and more focused organisation.
- Partnering to build a common sense of purpose, across key stakeholders and working together with other departments to deliver the Government’s priorities.
- Growing the capability of the DH, through enhanced engagement and making equality and diversity central to the Department’s activities.

### Q2 Programme Priorities

The Response identifies five critical Departmental programmes which are positioned to enable the realisation of the six priorities:

- Delivery of Quality, Innovation, Productivity and Prevention (QIPP) so as to improve quality of care and realise savings of over £20 billion in the NHS.
- Deliver an autonomous and accountable system.
- Reform social care through offering greater control at the individual level.
- Develop the Public Health Responsibility Deal which involves greater collaboration with the private sector and other organisations to tackle unwelcome lifestyle choices.
- Maintain focus on quality, safety and dignity through reviews and the strengthening of the role and effectiveness of the Care Quality Commission.

### **Q3 Capabilities**

In the pursuit of the strategic priorities and Departmental programmes, the Response identifies three capabilities important to realising these outcomes:

- Building common purpose and ownership of the change agenda, which involves attending to communicating the vision, building trust and confidence and improved collaboration with other government departments and stakeholders.
- Working differently to achieve more through better understanding of patient and public needs, assessing the nation's health challenges and ensuring the setting of stretching objectives for the new health care system.
- Right people/place/skills, which involves maintaining the existing skill portfolio of, analysis, problem solving and policy advice, and developing new skills on influencing, building alliances, assessing performance, partnering, stakeholder relations, sponsorship, change/risk and project management and attending to continuous improvement on core skills such as the management of money and people.

### **Q4 Skill shortages**

The Response recognises that the DH has considerable strengths but also has areas for improvement, identified as the:

- Hard skills of programme and project management and analytical and financial capability.
- Soft skills; negotiating, influencing and working in partnership.
- Strategic skills of determining strategic capacity and horizon scanning.

The Response states that a range of initiatives are being prepared to address these needs.

### **Comment**

The detailed analysis offered identifies how the Government's health priorities are aligned with DH's priority areas and how these in turn translate into Departmental programme priorities. The Response offers considerable detail on how the most important of the

capabilities impact on the realisation of the strategic/programme priority areas. It is clear from the Response that considerable thought has been given to the alignment of strategic objectives with programme priorities and why the critical capabilities are positioned to enhance the delivery of the strategies and programmes.

Also, particular skill deficiencies are identified in detail. It would have been helpful if further information was offered in critical areas of engagement, concerning:

- The current challenges facing the DH staff and management in terms of partnership working and whether these challenges are the result of capability deficiencies.
- The deficiencies in terms of strategic capacity and horizon scanning and whether these deficiencies previously existed or whether the need has been identified as a result of the priorities this Government has introduced.

No mention is made of the contribution of the Board and its Non Executive Directors. Such omission raises the question of the governance and monitoring of change and capability development within the Department, especially in the areas of strategic capacity and horizon scanning. Aside from the monitoring and mentoring of change and operational activities, a prime function of any board is to make contribution to the strategic development of the organisation and this point is not mentioned in the Response.

The detailed analysis in this Response is impressive and further insight on partnership working, negotiations and influencing and strategy and horizon scanning would have facilitated more meaningful comment on whether the Government Departmental priority areas are likely to be realised.

## **Analysis of Response - Home Office**

### **Q1 Strategic Objectives**

The response identifies that the Home Office pursues seven strategic priorities (Home Office Business Plan 2012-12), which are to:

Empower the public to hold the Police to account for cutting crime.

Free the Police to fight crime more effectively and efficiently.

Create an integrated criminal justice system.

Secure borders and reduce immigration.

Protect freedoms and civil liberties.

Provide protection from terrorism.

Ensure for equal treatment and equal opportunity.

The response emphasises that the purpose of the Home Office is to defend the country against terrorism; control immigration; enable Police and local communities to fight crime and anti-social behaviour; and champion equality.

The response also emphasises that the seven principles are determined by the Government's values of freedom, fairness and responsibility.

## **Q2 Departmental Programmes**

In meeting the strategic priorities, four departmental programmes are listed:

National Crime Agency, which will progressively take over from the National Policing Improvement Agency and thus simplify structures to allow Police both to fight crime and secure borders/reduce immigration.

E-Borders, transform UK border security arrangements through attending to serious cross border crime, protect against terrorist attack, attend to abuses of the immigration system, enhancing entrance/exit checks.

Immigration Case Work Programme as a vehicle to secure borders and reduce immigration.

Communications Capabilities Development, which involves accounting for the changing communications environment and making available investigative data and techniques that can lawfully be used to save lives, counter terrorism, investigate crime, prosecute offenders and protect the public.

The response emphasises that a current critical priority is the delivery of the Olympic Safety and Security Programme, to be completed around February 2013.

## **Q3 Capabilities**

The context for achieving the strategic objectives/programme priorities is that of "better for less". It is envisaged that the Department will be a smaller but more effective unit, requiring capabilities in commercialism, improving staff performance and working more flexibly.

Specifically, the response draws links between capability development and the priority departmental programmes discussed. Two of the programmes (Immigration Case Working and e-Borders) are identified as requiring managers with change management capabilities and the skills to operate new systems as they come on line. Three programmes, Immigration Case Working, e-Borders and Communications Capabilities Development, are stated as requiring IT specialists and managers with programme and project management skills. Recognising that these skills are in short supply and having to contend with reducing reliance on external consultancy support, the response identifies initiatives to better leverage talent in a market where such skills are in short supply and require competitive remuneration. For example, the UK Border Agency has established a transformation team to act as the IT/Project and programme management internal supplier for Immigration Case Working and e-Borders. Similarly, with the National Crime Agency, a programme team has pulled together civil servants from a range of disciplines and secondees from partner organisations with the appropriate skills and experience to help design and build the new agency.

## **Q4 Skills Shortages**

The response affirms the need for IT, Programme and Project Management (PPM) and change management skills. Offering competitive remuneration in a market where IT and PPM skills are at a premium, whilst reducing reliance on consulting support, is re-iterated as a formidable challenge. In terms of change management, the response identifies that a certain degree of recruitment is likely but greater focus will be on growing home talent through internal programmes, supported by Civil Service Learning.

### **Comment**

The Home Office Response offers an insightful account of the key strategic objectives and programme priorities being pursued and the current capability strengths and shortfalls being faced. Innovative ways are identified to addressing these shortfalls, especially in an environment where many organisations are facing similar concerns of how to attract, pay for and retain talent in the IT, programme and project management and change management arena.

The alignment between strategic objectives/programme priorities and the capabilities available (or in short supply) is clear. However, I wish to raise certain questions which are only partly addressed in the response. As agency/programme development is underway:

How are staff responding to the “more for less” philosophy in terms of increased working hours (if any) and encroachment on private life (if any)?

Has the level of cost reduction impacted on the support made available in order to meet the vision and mission of the Home Office?

Are the senior management responsive to staff and middle management needs so that programme priorities can be realised?

To what extent are staff and middle level management sufficiently engaged with the senior management of the Home Office to attend to the challenges identified in the response?

It is concerning that during a period of considerable change and need for integration between programme priorities and strategic objectives, no mention is made of the contribution of the Board and its Non Executive Directors. So a further question I feel compelled to ask is; to what extent does Home Office management draw on the skills/experience of its Non-Executive Directors in order to monitor and mentor the Department through the change programmes identified?

It is evident that considerable thought has been given to the positioning and aligning of resources to enable the Home Office to realise the Government’s requirements to secure the UK against terrorism, secure borders, fight crime and enable police and local communities to fight crime and anti-social behaviour.

However, the response lacks sufficient insight on the levels of engagement within the Department. In the absence of such information, it is difficult to comment on the progress made in terms of realising the programme priorities identified.

### **Analysis of Response – Department for International Development**

#### **Q1 Six Strategic Objectives**

The Response opens by emphasising the level of Ministerial involvement in shaping the policies and direction of the Department. The central strategic goals of DFID are poverty reduction and the achievement of the Millennium Development Goals. Towards these ends, the 2012 Business Plan and the Changing Lives, Delivering Results document identifies the Government's international development priorities and commitments up to 2015.

Driven by these goals, the Response emphasises supporting private sector and good governance initiatives in order to realise open society, open government and market development outcomes. The Response further highlights that Ministers require DFID to enhance the transparency and effectiveness of UK Aid.

With these commitments in mind, the Response points to six key priorities as captured in the Business Plan which are,

- honouring international commitments in order to achieve the Millennium Development Goals.
- driving transparency, value for money and open government, thus making British aid more effective.
- boosting wealth creation.
- strengthening governance and security, particularly in conflict torn countries in order to make the UK's humanitarian response more impactful.
- taking the international lead on improving the lives of girls and women, through better education, offering greater choice on family planning and prevention of violence.
- combating climate change through supporting adoption of low carbon growth strategies in developing countries.

The Response highlights that four Director Generals are accountable for each of these priorities.

## **Q2 Departmental Programmes**

The Response emphasises that the Secretary of State has required DFID to deliver specific results through particular bilateral programmes for 28 countries, fewer than previously was the case. The Response then provides a detailed and informative table capturing the Department's commitments, result indicators (and whether these are through bilateral/multilateral relationships), outcomes achieved to date against outcomes set, programme by programme. The Response identifies a range of service programmes, each aligned to particular strategic objectives, which are,

- helping people prosper.
- feeding the world (helping the poorest).
- changing children's lives through learning.

- saving lives and preventing disease.
- clean water/sanitation provision.
- making countries safer, fairer and free from conflict.
- combating climate change.

The table provides invaluable data highlighting what is to be done and progress to date. For example, the target of supporting nine million children in primary school, to date has been achieved for 5.3 million children against 2.9 million in 2011/12. The table shows that DFID's programmes are ahead of schedule in terms of achievements against specific goals. Two statistics in particular are highlighted, namely that,

- 20 million children under 5 and pregnant women were reached through DFID's nutrition programmes, and
- 60 million people receive water/sanitation/improved hygiene through the provision of integrated services.

### **Q3 Capabilities**

The Response identifies that three critical organisational initiatives, the Spending Review, the Business Plan and 'Changing lives, delivering results' have required DFID to initiate organisational restructuring through attracting staff with finance, economics, private sector development and climate change expertise, and focusing these people on front line delivery in overseas offices whilst reducing the number of staff in central functions in London. In fact, the Response offers a further table capturing the performance requirements for the next four years, which are to,

- provide strong leadership.
- deliver at scale both transformational and operational targets, managing the pipeline of programmes and allocating resources accordingly.
- improve impact through value for money.
- build support for the work of DFID through enhanced interfacing in Whitehall, greater transparency and better communication with the public.
- Help shape the future through a better understanding of trends in order to respond to new and emerging challenges.

The Response emphasises once more that the investment made in reshaping the skill set of the organisation and transferring staff from back office to front line work is critical to realising DFID's strategic priorities.

The Response further draws attention to the outcomes of the recent Capability Review which identifies that the Department remains a leader amongst donors, attracting highly engaged and professional staff, responding rapidly to new Ministerial priorities and strengthening its internal processes for purposes of governance and efficiency.

#### Q4 Skills shortages

The Response points to the need to further strengthen leadership and management skills and establish greater consistency of practice across the organisation. Better progress is also required in the policy areas of private sector engagement and climate change. Additionally, the 'Value for Money' drive is identified as not fully embedded in the DNA of the organisation, requiring improved programme monitoring within DFID and across partner organisations.

#### Comment

The Response is commended on the level of detail presented, highlighting progress on strategic objectives and programme priorities and the further areas of work needing attention. The alignment between strategic objectives and programme results to date and the repositioning of resources to achieve these results is evident. The Response also identifies progress made in terms of leadership and managerial skills development. The Response states that further attention needs to be given to enhance the quality of leadership, management and professional skills in order to maintain and improve performance.

The detail highlighting the alignment between strategic/programme priorities and organisational restructuring, supersedes the insights necessary to better understand the engagement challenges that have been addressed/need to be addressed. Deeper insights n,

- the specific nature of the interfacing challenges between DFID and its partner organisations,
- the challenges of pulling new teams together whilst reducing headcount,
- the current level of trust of front line staff in their management, especially as the change programme continues,
- how the management have pulled together (or not) whilst driving through organisational change and meeting demanding Government and Ministerial priorities,

would have been helpful in order to more meaningfully comment on progress made to date. However, the Response does indicate that the leadership of DFID has given due consideration to how to enhance alignment and engagement within the organisation.

The DFID Response is one of the few Responses to draw attention to leveraging the skills and experience of its Lead Non Executive Director in order to head the recent Capability Review of the Department.

The Response provided by DFID is one of the more impressive of those received following the letter of invitation from the Chairman of PASC.

From the information provided and the manner in which further challenges and concerns are identified as needing attention, I am in a stronger position to comment that the strategic/programme priorities identified are more likely to be realised.

## **Analysis of Response – Ministry of Justice**

### **Q1 Strategic Objectives**

The Response identifies that the strategic priorities of the Ministry of Justice are captured in their ambitious reform programme, Transforming Justice. Transforming Justice seeks to deliver a more effective, less costly and more responsive justice system.

To deliver on the vision for Transforming Justice, the Department has set out its strategy in the Departmental Business Plan (2011 – 15). The strategic priorities are:

- Introducing a rehabilitation revolution.
- Reforming sentencing and penalties.
- Reforming courts, tribunals and legal aid and with others, reforming the delivery of criminal justice.
- Assuring better law.
- Reforming delivery of service.

The Response points to a significant deficit reduction as well as to changes to service provision so that annual Departmental expenditure is reduced by over £2 billion by 2015.

The Response continues by providing a detailed and helpful table identifying the strategic priorities, their aims and their contribution to cross-cutting Government priorities.

### **Q2 Programme Priorities**

The Response identifies that the Transforming Justice portfolio consists of 45 programmes/projects. The four most strategically important programmes are:

- Legal Aid Reform, which involves changing the scope, level and eligibility criteria of legal aid with projected savings of £350 million per annum.
- Prisons Competition, which has involved market testing public sector prisons, the new build of HMP Oakwood and will involve consideration of further bids for the build of additional establishments. Other offender service competitions are identified and include the Prisons Escorting contract, Electronic Monitoring and Community Payback.
- Future IT Sourcing Programme (FITS), aimed at delivering a more sustainable and better managed IT infrastructure. The savings expected from this programme are £100 million to the Department's annual costs.
- Payment by Results, changing the way services are commissioned in order to deliver improvement of service at the same or less cost. The Department wishes to attract greater involvement from the public, private and voluntary sectors in order to bring about changes of provision to the rehabilitation of offenders. The Response emphasises that the viability of Payment by Results pilots will be dependent on a single measure of success, the reduction of re-offending.

### **Q3 Capabilities**

The Response draws attention to the Department's Capability Review which has identified the strengths and weaknesses to meeting its strategic objectives. Leadership, strategic capability and innovation have been identified as strengths. Areas for development include acquiring and retaining specialist skills and developing better commercial awareness.

#### **Comment**

The Response is brief but sufficiently detailed to show a clear link between the vision underlying Transforming Justice and its link to the Department's Business Plan. The point clearly made is that the strengthening of deficiencies is already under way, involving targeted recruitment, retention of valued staff and up-skilling of existing staff. Attention is also drawn to the findings of the Capability Review in terms of sound collaboration and engagement with external partners (Department for Work and Pensions and the Department of Health) but it is also stated that better engagement is required with external organisations for the purpose of policy making.

Also, the Response highlights that attention needs to be given to making stronger use of evidence concerning customer insights and making better use of informal methods for working across Government and with key stakeholders. It is further identified that developing the capabilities for improved engagement have been prioritised. As part of the Department's People Strategy, the capabilities for commissioning, learning from the private sector, enhancing confidence in developing a commercial acumen and strengthening existing programmes of capability, are highlighted as being attended to.

The Response clearly balances strategic goals and programme priorities with how to better engage with critical stakeholders. The strategic aims and cross Government outcomes are clearly captured as are the strengths and weaknesses of the capabilities to realise the strategic and programme priorities.

However, no mention is made of the Board and the value provided (if any) of the Non Executive Directors. Why this is the case, especially as this is one of the few Responses that balances Alignment and Engagement considerations in realising strategic/programme priorities?

Nevertheless, the case for working towards programme and strategic priorities and how the management are developing the capabilities to achieve these aims, is clearly made.

With the insights provided, I am in a stronger position to comment that the strategic and programme priorities identified are more likely to be realised.

#### **Analysis of Response – Department for Transport**

### **Q1 Strategic Objectives**

The response positions the six top strategic objectives of the Department for Transport (DfT) within the Government's key goals of reducing the deficit and encouraging economic growth. It is emphasised that the contribution of the Department within these priorities is to deliver a dynamic and sustainable transport system that drives economic growth and competitiveness. The vision outlined is of a transport system that is the engine

for economic growth and that accounts for green, safety and quality of life concerns for communities.

To realise this vision, three priorities are identified, to:

- Secure targeted investment for growth to improve capacity and connectivity;
- Harness technology to ensure a smart and sustainable transport system and
- Put users at the heart of these priorities.

In pursuing these priorities, the response draws particular attention to the empowering of local authorities and communities to deliver outcomes that meet their needs. The Department is further identified as working hard to reduce bureaucracy and help shape EU policy so that it is proportionate and effective in supporting British business.

## **Q2 Programme Priorities**

To meet these priorities, the DfT Business Plan identifies five core programmes:

- A commitment to high speed rail, initially linking the UK's major cities and Heathrow, but with the next phase increasing capacity, connectivity and promoting economic growth;
- Delivering a sustainable and customer-focused railway, attending to the high costs of running railways in the UK and continuing to invest in infrastructure;
- Supporting sustainable local travel, through investing in local transport enabled by a decentralisation of funding and tackling of local congestion;
- Investing in roads, whilst reducing congestion and tackling carbon emissions, including supporting the market for electric and ultra-low emission vehicles and transport systems and
- Promoting sustainable aviation so that the UK is positioned to compete internationally, improve the passenger experience and maintain high standards of safety and security for passengers and freight.

## **Q3 Capabilities**

The key capabilities required to realise these ends are identified in the Capability Review (March 2012), and are:

- Working in partnership across the transport sector, drawing on customers' insights, to deliver transport solutions;
- Developing the right people with the right skills; and
- Resource planning and management.

The response offers no further detail for comment to be made.

## **Q4 Skills Shortages**

The response indicates that the issue of skills shortages and strategy for skills development is currently under review. The intent is to improve commercial skills and awareness, develop programme and project management skills and improve leadership and people management capability. Other than that, no further details are provided.

### **Comment**

The response is brief and to the point. The priority and programme areas are clearly highlighted. The question to raise concerning programme priorities is why aviation is seemingly given less attention than the other areas?

Most disconcerting about the response is that no indication is given on the “real” challenges facing the Department. The focus of the document is on how strategic and programme priorities are aligned. No insight is offered on how well (or not) the DfT management are meeting their targets and what is the nature of the challenges they face. Other than emphasise the need for customer focus, sustainable local development, the need for partnership and developing people, no indication is offered concerning the engagement strengths of the management of DfT, or the engagement challenges the Department faces.

Further and similar to other responses, no mention is made of the Board and the value and contribution (if any) of the Non Executive Directors. This is of concern as the response emphasises partnering and local engagement, issues on which experienced Non Executive Directors should hold an opinion or offer advice.

Further insight is needed on:

- The degree to which staff and management is engaged or disengaged with working towards the strategic and programme priorities identified;
- The nature of the customer experience, particularly in addressing local needs;
- The levels of strain and stress that staff and management experience in managing conflicting priorities between central programmes and meeting local needs, and whether that hampers progress or not; and
- As partnership and localisation have been emphasised, the actions and behaviours that require attention in order to enhance meaningful delivery of service through decentralisation.

Overall, this response presents a brief overview of the strategic priorities to be realised. Even within this arena, further detail is required in order to ascertain whether aviation is a programme priority area. Further, much greater detail is needed on the quality of engagement taking place (or not).

Under these circumstances, I am not in a position to meaningfully comment on whether the Departmental priorities and core programmes identified are likely to be realised.

## **Analysis of Response – HM Treasury**

### **Q1 Strategic Objectives**

The response states that HM Treasury's primary objective is to be an effective economics and finance Ministry and in order to achieve this, to be a high performing organisation.

Specifically:

- As an economics Ministry to:
  - promote macroeconomic stability and maintain confidence in the macro policy framework;
  - promote stability, fairness, efficiency and competitiveness in financial markets; and
  - promote sustainable economic growth.
- As a finance Ministry to:
  - ensure effective control of value for money in public spending; and
  - ensure stable and sustainable tax receipts to fund Government spending
- As a high performing organisation to:
  - develop corporate functions to a high standard, develop staff and ensure an excellent working environment.

The response offers no further information.

### **Q2 Programme Priorities**

The response identifies the three most important departmental programmes in relation to the six strategies, stressing that the Government has focused the Treasury to,

- reduce the structural deficit;
- nurture an economy that is resilient, more balanced between private and public sectors and between regions; and
- reform the regulatory framework for the financial sector.

The response continues that the Treasury seeks to work collaboratively with a spread of partners such as the Debt Management Office (DMO), UK Financial Investments (UKFI), and others.

### **Q3 Capabilities**

The response identifies that, through the Capability Action Plan, the Treasury's Executive Management Board has set out the following capability priority areas for the coming year which are to:

- Enhance Board visibility and increase understanding of the Board's vision for the Department, and to realise collective ownership of these two areas;
- Enhance the contributions of staff, improve the culture and behaviours in the Treasury and address the issue of high turnover;
- Enhance and better communicate strategic engagement with stakeholders;
- Inform policy-making and analysis through better customer and stakeholder feedback and insights; and
- Improve delivery through enhanced business planning, risk and performance management.

#### **Q4 Skills Shortages**

The response clearly states that ensuring high standards of management and leadership behaviour is fundamental to achieving the Treasury's strategic objectives and Departmental programmes. With this in mind, the Capability Plan identifies four specific actions to:

- Reinforce and communicate the management behaviours expected throughout the Treasury;
- Implement a standardised management feedback tool to inform appraisal discussions;
- Strengthen the management and leadership capabilities through talent management promotions, particularly by exploring the nature of minimum standards acceptable and
- Implement a coaching and action-learning programme.

#### **Comment**

The response is brief and to the point. In comparison to other responses, little detail is offered concerning the nature of the six objectives or the three Departmental programmes.

However, information is provided concerning the engagement strengths and challenges facing the Department. Strengthening leadership and management behaviour is emphasised supported by management tools for encouraging feedback, coaching, talent development and risk and performance management. Also, the response draws attention to a particular concern, that of high turnover.

Further, particular mention is made of the Board and how this body needs to be more visible so that its deliberations can lead to greater collective ownership. The response indicates that the expertise of the Non Executive Directors is being called upon to assist the Treasury to meet its objectives and aims.

It is noteworthy that, of all the responses received, the one Department (the Treasury) most concerned with monitoring activities, particularly across Government, emphasises mentoring skills in order to achieve its aims.

In conclusion, the response's brevity on how strategic objectives, Government aims and programmes priorities are aligned, is matched by greater insight on how engagement with staff and other stakeholders is being, and is to be, pursued.

Although greater detail on which particular management and leadership behaviours are considered as satisfactory and which require attention would have been helpful, the insights presented in the response offer me the confidence to state that the strategic objectives and programme priorities identified by the Treasury are likely to be realised.

## **Analysis of Response – Department for Work and Pensions**

### **Q1 Strategic Objectives**

The Response draws attention to the Department for Work and Pension's (DWP) prime purpose, that of helping lift people out of poverty and sustain that position whilst being on track with the Government's goal of stabilising the public finances. In achieving these twin aims, the Response highlights five interlinked strategies:

- Transforming lives through embedding the principles of Social Justice.
- Encouraging people to pursue meaningful work.
- Enabling the disabled and those with ill health to become independent.
- Providing a decent income for those of pension age and promoting savings for retirement.
- Delivering value for money whilst reducing levels of fraud/error.

The Response discusses in detail the DWP's Social Justice strategy as the mechanism for understanding and tackling the root causes of poverty. It is emphasised that the principles of Social Justice are determining the Department's direction, policy and capacity to deliver services. The principles of Social Justice are clearly listed in the Response in order to make evident the importance of Social Justice in shaping the direction and activities of the DWP.

Further, considerable detail is offered on how the DWP's strategic priorities reflect the Government's values of freedom, fairness and responsibility which are designed to deliver the aims identified in the Programme for Government, which are:

- Growth; economic and social growth through enabling enterprise and 'Big Society'.
- Open public services, all having access to the best public services.
- Reducing red tape and unwelcome regulation.
- Ensuring for partnership with Government and Civil Society organisations for the benefit of communities.
- Realising efficiencies through cost reduction and reforming public service delivery.
- Working through sustainable development drawing on civil society organisations in order to address sustainability issues, particularly climate change.

Additionally, the Response identifies that through its strategic priorities, the DWP will:

- Contribute to building a stronger economy by repositioning welfare and pension systems on a sustainable footing, increase social mobility and reduce poverty.
- Deliver efficient and accessible services based on customer needs.
- Simplify regulations and processes.
- Realise more efficient procurement processes so that 25% greater procurement spend goes to SMEs.
- Deliver on DWP's sustainability targets thus contributing to the Greening Government Commitments.
- Through collaboration with HM Revenue and Customs, reduce overpaid benefits, develop modern service delivery appraisals and drive for efficiency.

## **Q2 Departmental Programmes**

Extensive detail is offered showing the links between Government's strategic aims and the DWP's strategic and Departmental priorities. The three most important programmes are identified as:

- Universal Credit shaping a simpler, fairer welfare system geared to moving people into meaningful work.
- Personal Independence Payment, focusing on those least able to remain independent in order for them to take an equal role in society.
- Pension Reform, addressing the concern of under saving for retirement, encouraging employers to provide for high quality pensions and encouraging greater savings. The Pension Reform programme intends to incrementally change state pension age allowing for greater flexibility around retirement.

The Response further provides a helpful table capturing how each of the programmes contributes to the Department's strategic objectives.

## **Q3 Capability**

The Response acknowledges that in order to realise the strategic and programme priorities identified, positioning the right people with the right skills in the right roles is paramount. In order to do so, the skills and capabilities to deliver on the change agenda are identified as:

- Effective leadership at all levels in the organisation to ensure that all understand what is required of them and in doing so, how to work effectively together.
- Skilled operational management, particularly focusing on contract and supplier management.

- Evidence based, high quality open policy making, particularly in relation to being transparent with partners, other Government departments and organisations from a spread of sectors.

For these reasons, the Department has launched the Project and Programme Capability Strategy covering a range of competencies from behavioural and innovative business at one end, to technical, risk and financial at the other.

Further, the DWP is developing the skills of its IT Community to enable working effectively across networks and systems of different design and governance.

These initiatives highlight the requirement to be capable to transform operations through appropriate organisation design including incentive schemes, relevant training and new delivery skills.

In the discussion of the skills required and those being developed, examples are offered of cross departmental programmes underway, for example with HM Revenue and Customs.

#### **Q4 Skills Shortages**

The Response acknowledges that due to the extent of the Reform Programme, careful deployment of existing skills is necessary in order to maintain programme priorities.

#### **Comment**

A detailed, well balanced and clearly argued paper of how the DWP is to realise its strategic goals is presented. Sufficient detail clarifying the interrelationship between Departmental strategic objectives/Government aims and programme priorities is provided, leaving little doubt as to what can/cannot be achieved. Also, the skills necessary to develop to pursue the strategic objectives and programme priorities are clearly identified. It is evident that considerable thought has been given on how to align programme objectives with departmental strategies and Government aims.

However, what is not clear is the level of engagement the DWP has with its customers, other stakeholders and with its own staff and middle/lower level management. The detailed outline of Government aims and strategic and programme priorities is not matched by insights concerning how the Department is currently functioning. Further information is needed on:

- The strain/stress staff/management experience particularly in meeting multiple stakeholder demands.
- The leadership behaviours that now require attention and why.
- The support front line delivery staff and middle management require now, particularly as attention is drawn to the recent decentralisation and focus on front line delivery.

Further, no mention is made of the contribution of the Board, or the Non Executive Directors, to the integration and implementation of Government aims with Departmental strategies/programmes priorities. Why is this?

The Response presents a well argued detailed analysis of the strategies and programme priorities the Department is pursuing. In contrast, little indication is offered of the engagement challenges currently facing the Department. This is concerning as the Response repeatedly refers to front line delivery, decentralisation and leadership as central to its change programme and these are engagement/behavioural issues. Even some indication of what behaviours have brought about progress and which need attention would have been helpful.

Without greater engagement data, it is difficult to comment on whether Government aims and strategic objectives/programme priorities are likely to be realised.

### **Analysis of Response – Sir David Nicholson, Chief Executive, NHS**

Unlike other Departments, the NHS was invited to respond to comparable but different questions by the Chairman of the Public Administration Select Committee (PASC), which are summarised as,

- the impact of the Government’s ‘Big Society’ agenda on how the NHS is organised and operates (if any) the structural reforms required as a result of the reduction in spending costs.
- actions taken/to be taken to reduce administrative budgets.
- the nature of the implementation plan highlighting objectives and timelines.
- the retaining and acquiring of skills sets to deliver on the Government’s reform plan.
- lessons drawn from previous reforms.
- involvement with other Government/public bodies.

Despite differences of questions, the concern is building the capability to lead through change. Building capability in order to realise strategic/programme priorities raises considerations on the,

- ability to Align resources to the stated objectives/programmes priorities,  
and the,
- quality of Engagement between internal and external stakeholders.

My and other’s research repeatedly identifies that the derailment of strategy occurs because of the leadership neglect of the dual but inconsistent demands of Alignment and Engagement. Therefore, in the analysis of this Response, I concentrate on Alignment and Engagement as the two criteria to analyse the comments from the NHS.

The Response opens by emphasising the Government’s ambitions concerning ‘Big Society’ and the decentralisation of power which underpins the NHS reform agenda. The Response further highlights that the NHS Chief Executive and the Permanent Secretary for the Department of Health are joint sponsors/owners of the Transition Programme,

encompassing the NHS, public health, social care, Arms Length Bodies and the Department of Health. Hence two responses are submitted following the invitation from the Chairman of PASC.

The Response clarifies the current context facing health and social care in the UK. Technological advance has made treating illness and facilitating quality of life more available. However, the expense of treatments and persistent inequalities of health care access between communities and regions are the challenges being faced. The way forward is to realise greater value for money, invest more in preventing ill health and continue to drive for improvements in care to meet the changing needs of the populace. The Response notes that both the on-going programme of reform in the NHS and the Health and Social Care Act (2012) will deliver better health, better care and better value for money. Greater empowerment and choice at the local level will allow communities to pursue local priorities. Further, the removal of management layers and certain Arms Length Bodies ((ALBs) will deliver savings, which together with the Quality, Innovation, Productivity and Prevention (QIPP) programme should realise £20 billion cost savings.

The Response then offers further detail on how such priorities are to be realised.

#### ‘Big Society’ and Structural Reform

The Response affirms that the ‘Big Society’ agenda of empowerment and decentralisation underpin the NHS reform programme through,

- greater choice for patients and service users, supported by Healthwatch England, a new national body representing the views of patients at policy and local levels.
- enhancing local authorities, through the new Health and Wellbeing Boards to place greater power and control in the hands of patients and communities.
- returning public health responsibilities to local authorities, through working together with health and care providers, community groups and other agencies to encourage people to live healthier lives.
- the formation of Clinical Commissioning Groups (CCGs) which will have the discretion to commission services from service providers which meet NHS standards and prices on behalf of their local communities.
- the formation of the NHS Commissioning Board (NHS CB) supporting local CCGs, whilst also commissioning certain specialist services centrally.
- the replacing of Health Trusts by Foundation Trusts in order to allow greater independence for the management of services.
- the establishment of Monitor, promoting patient’s interests through licensing health care providers, regulating prices to allow for equity in the workings of CCGs commissioning services and ensuring all providers work together in the interests of the patients.
- removing Ministers from day to day management of the NHS and focusing their efforts to priority setting and holding Arms Length Bodies to account.

The Response provides a detailed outline of the structural changes to take place by April 2013 which include the NHS Commissioning Board being given full powers; the Health and Wellbeing Boards being given full responsibility; the NHS Trust Development Authority and Monitor being the sector regulators for health; as well as Primary Care Trusts, Strategic Health Authorities and the Health Protection Agency being abolished.

The Response continues by detailing the savings that will be realised, which involves releasing £4.5 billion to the front line by the end of 2014/15 and £1.5 billion per year after that through reducing bureaucracy. The reinvestment to front line services will include,

- delivering care closer to home.
- reducing unscheduled care and emergency admissions.
- supporting patients with long term conditions through early diagnosis and improved self-management.
- streamlining public services.
- staff reductions coupled with a shared services approach across the Department and its Arms Length Bodies (ALBs).

The Response indicates that the savings forecast for 2014/15 is being challenged, but affirms that efficiencies and quality of service to patients will continue to be delivered.

### **Implementing Changes**

The Response draws attention to the Transition Programme set to oversee structural change, risk management and implementation concerns, through monitoring and attending to developments in the Department of Health, the NHS and ALBs. The Transition Programme is being co-ordinated from within the Department of Health through a number of project work streams and Governance Boards. Two bodies in particular, the Transition Executive Forum managing operational delivery and the integration of the NHS future system within the wider health and care system, and the Future Systems Executive, overseeing the design and delivery of each NHS component programme, the new NHS structures and ensuring for alignment with the NHS system, are given special mention.

The Response further highlights that the programmes of change are on track with assurance given through the Integrated Assurance and Approvals Plan, the implementation of particular Gateway and Major Projects Review Group reviews, supported and overseen by an experienced Non Executive Director.

The Response specifically states the timelines for the formation of key bodies and the appointment of new leaders to the system, such as by October 2012, the NHS Commissioning Board will be established and carrying out limited functions, including the authorisation of CCGs.

### **Skill Sets**

The Response emphasises the criticality of transferring staff to the new system, protecting their conditions of employment and retaining the skills and experience required. It is

recognised that with such breadth of change, loss of corporate knowledge and key skills is likely to occur. As the change process progresses, further skill deficits are likely to be identified. A number of initiatives are underway to address these concerns:

- The NHS, together with the Department of Health, is to develop People Transition Policy documents, complemented by the HR Framework to ensure key skills retention and establish the principles underpinning the transition process.
- The NHS Commissioning Board is designing and progressing its recruitment strategy and establishing its Organisational Design strategy to offer development opportunities to new employees at the NHS CB.
- The establishment of the CCG Leaders Development Programme focusing on commissioning.
- The NHS Leadership Academy initiative integrating the leadership of social enterprises, co-operatives and mutuals, into the design of existing programmes.
- The inclusion of 'Big Society' to the Top Leader development programme.
- The reduction of loss of skills and the facilitation of closer working at local level through initiatives such as the clustering of PCTs and SHAs; ensuring that CCGs take on budgetary responsibility when they demonstrate the capability to do so; adopting an Integrated Planning and Performance Management Process; establishing a National Learning Network for Health and Wellbeing Boards and engagement with national bodies through the GP Working Group.

The Response outlines that these initiatives intend to capture best practice and facilitate enhanced partnership arrangements to support the development of appropriate skills so as to deliver high quality patient care.

The Response admits that at this point of time, the NHS Commissioning Board will temporarily host commissioning support and external support services until 2016 allowing the market to become sufficiently mature to provision services in its own right.

### **Lessons Learnt**

The Response acknowledges that the extent of reform is so great that comparisons with previous changes are difficult to make. However, in order for this reform to proceed as intended, three leadership considerations are emphasised.

- Ensure for open and honest communication particularly at senior management levels so that the reforms are implemented at a pace that is workable
- The Listening Exercise, led by the NHS Future Forum, which has taken into account the concerns of stakeholders about changes to the NHS and which has led to substantial legislative changes, including change of timescale to the establishment of CCGs.
- The Departmental Transition Programme which in conjunction with the Cabinet Office Major Projects Authority (MPA) has enabled the Gateway Reviews and Major Project Review to examine change programmes across Government. Again,

reference is made to drawing on the expertise of a Non Executive Director experienced in change management.

### **Involvement with Other Bodies**

The Response clarifies that NHS reforms cover the entire health and social care system. The extent of the reforms will impact on a wide range of Departments and other organisations including the Department for Communities and Local Government, Ministry of Defence, Ministry of Justice. It is highlighted that work is on-going with other Departments to ensure that the NHS mandate truly reflects cross Government priorities.

The Response reiterates the new role of the Department of Health which will be to maximise the health and wellbeing of the population through its stewardship of adult social care, public health and NHS systems and work with other Government Departments. This is to be achieved by:

- Setting strategic outcomes for health and adult social care and stewardship of the systems.
- Securing resources for health and social care.
- Setting the regulatory, policy and legal framework for the health and social care system.
- Providing leadership for the whole system.

### **Comment**

The Response provides a comprehensive overview of the programme of reform being pursued by the NHS. Detailed insights are offered on how the process of transition is to be managed and what will be the role, duties and responsibilities of key bodies during and post the transition phase. Further, a timetable is offered outlining the establishment and abolition of certain bodies. Equally, the interrelationships between certain governmental bodies and other organisations are specified.

It is also noted that the Response features 'Big Society' as central to the strategies being pursued.

The Response has to be commended on the clear, analytical approach taken to show how 'soft' and 'hard' resources are, and will be, aligned to meet Government priorities and the reform programme agenda. Such clarity of thinking is supported by highlighting the challenges that need to be faced, particularly the weaknesses in the emergent health and care system and how these are to be dealt with in the foreseeable future.

Adopting alignment and engagement criteria to assessing the Response is of limited value as the greater bulk of the new systems have yet to be implemented. Nevertheless, the Response draws attention to the leadership capabilities required, namely, listening, commissioning, engagement, stewardship and providing a comprehensive approach to the leadership of the system. When the NHS is next invited to report on progress with reforms, the following questions may be appropriate to consider,

- what is the quality of both alignment and engagement between the NHS CB and the local CCGs with particular attention to overlaps of responsibility and possible emergent tensions highlighting differences of agenda and sense of purpose?
- what leadership challenges have been particularly stretching and difficult to address?
- how effectively have key skills been retained/developed?
- how effectively do the Department of Health and NHS interface with other Departments, ALBs and other organisations in the pursuit of the reform programme?
- to what extent does the local community/patient experience match with the outcomes of the proposed devolution of power and authority?
- to what extent does the governance process, exercised through bodies as Monitor, fully raise issues of non performance/governance blockages so that accountability and responsibility concerns can be addressed? The reason I raise this question in particular, is that focusing on accountability only can induce inhibition and a lack of courage to take action and end up 'doing things by the book'.
- once into the reform programme, to what extent do staff and middle level management continue to identify with the vision of NHS reform and do they feel that the balance between value for money and value for service is appropriate?
- to what extent do front line delivery staff feel that market forces/market determined service deliveries are maturely responding to the needs of patients and local communities?
- to what extent do front line staff believe their leadership displays the capability to effectively address emergent challenges?
- to what extent does the leadership of the NHS feel supported by the Department of Health to lead through change and meet the reform programme priorities?

Irrespective of the fact that different questions were posed to the NHS than to Whitehall Departments, this Response does provide a model outline capturing how to align resources to meet priorities, whilst drawing attention to the challenges to be faced and the manner in which engagement within the NHS and its critical stakeholder bodies is likely to take place.

From the evidence provided, I consider that the reform programme detailed in the Response holds every chance of being realised.

## Analysis by Doctor Gillian Stamp

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### **Building Capability in Support of Strategic Aims.**

This report is a thematic analysis of the responses from Departments to a letter from the Chairman of PASC in May 2012. The letter explained that PASC would like to develop its examination of civil service reform by ascertaining how each Department is building capability in support of both its strategic aims and of the Government's overall strategic aims.

Professor Kakabadse's analysis provides a detailed examination of the response from each Department.

I have tried to draw out the themes that emerge across all Departments. These can be taken as indications of common awareness of where remedy is required – “people know what needs to be done”. A thematic approach could provide a tighter focus for future reviews of the cost and quality of services to the public.

*Background* - in his introduction to the Civil Service Reform Plan the Prime Minister wrote “The sheer scale of the challenges that still face us – and the need to hold our own in a competitive world – mean that we need to change the way government works. Put simply, it needs to be sharper and quicker. We need the whole machine to be more agile, more focused on delivery and on getting results.

The core of the Civil Service Reform Plan is this: harnessing the world-beating talents of those who work in our Civil Service and making sure they aren't held back by a system that can be sclerotic and slow. That means learning from the best in the private sector. Of course delivering good public services is very different from running a business. But the way the best businesses nurture talent, flatten management structures, reduce unnecessary bureaucracy and improve services while reducing costs all hold lessons for us in the public sector. When companies live or die on their ability to deliver, that gives them an urgency that we can learn from in government, for the good of those we serve”.

The background to the reform is the need for economic growth and for a smaller enabling State that shifts power and funding to individuals, neighbourhoods, local communities and local councils. The intention is to reduce public spending, create a smaller, more strategic Whitehall and deliver services in ways that are both cost effective and responsive to users.

*PASC* - against this background how best can the PASC scrutinise the building of capability to deliver strategic aims?

In the private service sector a business aiming to deliver good service and reduce cost would seek out the best performing units, study what worked, close the others and use the lessons and managers of best performance to lead the change.

In the public sector there is a tendency to place audit focus and investigation time on spotting why things go wrong rather than to learn from the managers and staff of success stories<sup>14</sup>. It may be more difficult to close poorly performing units but it is entirely possible to gather and share best practice from well performing units. For instance, after his visit to a large HMRC operation near Newcastle the Minister for the Cabinet Office described staff commitment to driving up productivity and performance through the adoption of lean continuous improvement – “they were constantly searching for ways to do things better and quicker”.

*Review* - there is considerable evidence in both the public and the private sector that it is cost and time effective to study ‘success stories’ and how the learning from them has been shared; to review to remedy rather than review to blame. When it is clear to everyone involved that the intention of review is to learn rather than to blame, the full facts are much more likely to become available more quickly. It is therefore a more efficient and fairer way to scrutinise and to hold people to account.

Review to blame – especially if it is too frequent - engenders anxiety, suspicion, defensiveness and resistance; it increases financial and human costs and slows the pace of change.

Review to remedy reduces waste and cost, releases energy, harnesses talents, speeds change and leads to flatter structures, agility and growth. Review to remedy acknowledges that all change – as Lord Browne said of Boards in Whitehall Departments - is “a work in progress” and that while it is important to track that progress, it is not helpful to keep pulling up a plant by its roots.

Review to remedy starts from what is working well (as in the private sector approach to “spotting the best performers”, “study what works”) and then makes the most of that learning. This does not mean that poor performance is ignored or condoned; on the contrary, it is seen more clearly and can be dealt with accordingly.

#### *Responses from Departments to PASC questions*

*consistency* - the responses from each Department refer to the need for economic growth often describing it as “the top priority” and also to the importance of value for money for the taxpayer. Most refer to the need to reduce the deficit and put “public finances on a sustainable footing”.

There is a shared understanding of a generally stated ‘why’ but Departments then place different emphases.

Some refer to decentralisation of power and the enabling State. Some to “putting users at the heart of all we do” (whilst this is obviously not relevant for every Department, it is noticeable that those for whom it is do not always mention it). Some refer to meeting the expectations of the public rather than expecting the public to meet civil service processes.<sup>15</sup>

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<sup>14</sup> N.Ceeny and U.Brennan. 2006. Culture Change in the Civil Service

<sup>15</sup> See also the Varney Report on Service Transformation 2006.

*Themes* – the themes below were mentioned in all the responses.

*Accountability* is a primary theme:

~ *being held to account*; many responses express a strong wish for greater clarity about resources when responsibility is assigned so that accountability can be fairer and more accurate – “accountability for delivery is not always aligned with resources”.

Clarity brings relief and it is notable in the responses that where there is clarity, the response from the Department provides a consistent account of the links between the Government’s strategic aims, Departmental strategic aims, the business model and the actions being taken to build capability of both individuals and systems.

Although this is not stated explicitly, an implicit theme is that it is potentially confusing to be held to account when there is a “fault line” between policy and implementation. As a Non Executive Director (NED) from the private sector put it “in a business we do not make that split; there is a continuous recycling through to make the most of the experience of the people who are implementing and delivering”.

~ *holding staff to account* links with awareness across Departments of the weakness of performance management and the fact that this has been known for many years.

As the Minister for the Cabinet Office said “People feel accountable to those whose views make a difference to their future careers”. One of the difficulties in making a clearer link between performance and accountability in the civil service is the culturally embedded notion that the key reward of promotion comes from being close to Ministers rather than from achieving outcomes or good service delivery.

In one Department each director has an annual ‘delivery agreement’ to align resources and activities with Ministerial priorities and Departmental objectives – “these Agreements are designed to be simpler, more strategic and to increase accountability”.

*possible focus for future review* - the civil service reforms will strengthen performance management and this could be examined and reviewed within eighteen months of the introduction of a new approach. This review should focus not on the performance management systems per se but on the role they play in clarifying responsibility and strengthening accountability.

Holding people to account is directly linked to two other common themes i) staff engagement and ii) particular skills that require strengthening. These are discussed below under *leadership*.

~ *holding delivery partners to account* – many of the responses mention the importance of common purpose and a clear framework with delivery partners; one refers to the importance of “strategic clarity” with delivery partners. The majority mention the need for clarity of expectation, responsibilities and resources if delivery partners are to be firmly and fairly held to account - “we need to be clearer about devolved decision-making and local accountability”.

Some responses mention the need to be more aware of how the Department is perceived and some describe specific actions to remedy that - “we are breaking down internal barriers because we know they can be difficult for those outside”, “our partners tell us that senior staff are not always able to talk about the Department beyond their own policy areas; we have introduced ‘Master classes’ where people can share expertise and learn from each other”, “we are developing our economic literacy to give more confidence to our partners”, “there is a perception by some of our partners that policy development can be tactical rather than strategic”.

Most of the points above are also made in relation to Arms Length Bodies (ALBs) with – in some responses – an awareness that while accountability of ALBs is different from that of delivery partners (particularly as regards Ministers), the need for common purpose and strategic clarity are the same. The report *Culture Change in the Civil Service*<sup>16</sup> pointed out that because links between Departments and ALBs are not always at the right level there can be unnecessary and costly tensions about accountability.

Much could be learned from NEDs with private sector experience of best practice in partnerships, especially the role of common purpose, strategic clarity and agreed frameworks in containing costs and maintaining quality.

*possible focus for future review* - there are obvious links to the widely reported need for improvement in commercial, commissioning and contracting skills as part of building capability. Improvement in these skills and/or consideration of what proportion are required ‘in house’ could be another focus for review. Again this is not for review per se but as an element of accountability and any such review must bear in mind the difficulty (referred to by most of the Departments) of recruiting and retaining people with these skills.

~ *being accountable to colleagues across Whitehall* where again the call is for clarity - “in working across Whitehall we need to be clearer where decisions are taken, where accountability lies and who has responsibility”.

A consistent theme is the need to work more collaboratively across Whitehall in order to realise the Government’s overall strategic aims, in particular that of a smaller, enabling State. Some responses refer to close collaboration between Departments as in MoD, FCO and DFID; DCLG, BIS, DWP; DWP and HMRC for example.

*possible focus for future review* - a future review could focus on the effectiveness and the cost implications of these collaborations. In particular to learn about the conditions (of common purpose, clarity of expectations, leadership, cost disciplines etc) that have been in place where the collaboration has worked well to reduce public spending (particularly transaction costs), and to provide more responsive services or shared strategy and practice as in defence and development.

*Efficiency* is a strong theme in the responses and is a key element of the Departmental Development Plans to be introduced in autumn 2012.

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<sup>16</sup> *ibid*

The response from each Department expresses concern about lack of consistency in systems and processes. One describes the need to ensure that the Department uses one set of business planning tools. Another says that business models are “varied, complicated and not always well understood”.

There is frequent mention of the costs of these inconsistencies and their impact on the quality and timeliness of management information. It is clear that there are very considerable opportunities for cost reduction as already evidenced by savings made.

*possible focus for future review* could be on the incentives to be consistent – in business models for instance – and the proportion of resources that have been deployed to this rather than to other priorities. Again this lack of consistency within and across Departments has been recognized for some years as essential for reducing costs, improving quality of service and reducing transaction costs between Departments and partners and ALBs.

*Leadership* – a consistent theme of the responses is the need to improve leadership skills with particular emphasis on providing clarity of responsibility and resources and leading and managing change. To hold people to account if they are not well led feels unfair and leads inevitably to defensiveness and resistance.

Another theme is “inconsistencies in leadership behaviour” – “there are inconsistencies among some senior and middle managers in how they communicate and connect with staff”. Research into leadership makes it clear that people respond not to what is said in ‘vision statements’ etc. but to what is done. These inconsistencies are thus more damaging and costly than a quick reading might suggest.

Professor Kakabadse points out that there are relatively few comments in the Departmental responses about the steps being taken to remedy these inconsistencies and to strengthen leadership skills.

The new competency framework to be introduced in 2013 will place as much emphasis on behaviours as on skills and Strategic Risk and Leadership of Change will be an element of the Departmental Development Reviews.

Most of the responses refer to the need to improve ways of working with others – engaging and influencing them (see above the consistency of this theme re accountability and collaboration). “We have to get things done through and with others”, “because the strategy is to be local there is a very significant change in relationships”, “we need to build common purpose with partners and stakeholders”.

Whilst many aspects of leadership are common to all sectors, there is as a retired Permanent Secretary puts it “a peculiar dimension” to leadership in the public sector – “it requires alternate moving very fast and suddenly deciding to stop. It is at odds with conventional leadership and images of momentum and drive, harnessing and unleashing energy; they are all more straightforward. In the public sector you are turning off and on; it is more abrupt. It is as if everyone is moving forward and you have to blow a whistle and say freeze until I tell you”.

Commitment to a shared purpose and mutual trust are of the essence in all leadership but especially where there is this need to “turn off and on”. As the response from one Department puts it “since these results commitments were set, the Secretary of State has set ambitious new results in two areas”.

*Engagement* is a theme that links with the Prime Minister’s point about “harnessing world-beating talents” and is mentioned as a concern by every Department.

As discussed above, engagement is a prerequisite for working together and for holding to account. Professor Kakabadse draws attention to his own and other research that demonstrates the importance of engagement in realising strategy.

~ *engaging staff* is a concern for most Departments – “while most staff understand how their work contributes to the objectives of their team, not all see the same links to wider objectives”, “we need a golden thread from our vision to the work people do”, “in particular, our results from last year’s civil service people survey make it clear that improving levels of staff engagement must be an absolute priority for the year ahead”.

Many mention the need for “rewarding jobs for civil servants”. There is a link to “freeing up front line professionals to make decisions”, “encouraging staff at the front line to innovate in order to provide the best possible outcomes” – all aspects of lean continuous improvement to which the Minister for the Cabinet Office refers.

Professor Kakabadse draws attention to the lack of specific detail about how engagement of staff is being addressed.

*possible focus for future review* would be on the noted inconsistencies between what is said and what is done; some of this might be picked up in very good 360 assessments but if they are to change behaviour, they must be fed back with great care and followed up.

~ *engaging partners* is a widely shared concern - “key partners feel they could be more closely involved in decisions”, “we need to strengthen strategic engagement with stakeholders”.

As with engaging staff, engaging partners includes sharing a purpose, being clear about expectations and responsibilities so that holding to account is robust and fair. There is an obvious link with the need for strong commissioning and contracting skills.<sup>17</sup>

~ *engaging colleagues in other departments* is mentioned by most Departments as necessary if they are to work more effectively and efficiently on “cross cutting issues” and to improve understanding of how those issues are seen by service users<sup>18</sup>. As above under accountability, some responses do mention integration and efforts to make it as effective as possible but there is little mention of the implications for costs. Two Departments refer to learning and sharing with others with specific reference to the management of change.

*possible focus for future review* could be the effects of integrated working on costs of provision, on transaction costs between Departments. Another focus could be to review

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<sup>17</sup> See Commissioning For Success. Institute for Government. August 2012.

<sup>18</sup> See Varney report *ibid*

feedback from people who receive services or support or interventions shaped by integration. The Parliamentary and Health Service Ombudsman (PHSO) is in a unique position to provide information about how Government is performing and thus to support PASC in such a review. A third (to be undertaken in three years) could focus on the longevity of the provision or solution.

*Skills that require strengthening* - there is widespread agreement about skills that are needed and/or require improvement. Many responses mention the need for IT skills and the impact limitations on them have for consistency of business models and tools (although few refer specifically to services being “digital by default”). Many refer to the need for greater sophistication in commercial, commissioning and contracting skills. All refer to the difficulty of recruiting people with these skills. Some responses refer to the need for programme management skills and to “the ability to drive through change”.

*possible focus for future review* - the lack of these particular skills has been known and articulated for many years. Although it is clear that there is widespread demand for them and it is difficult for Departments to offer competitive salaries, the fact that they remain a significant vulnerability requires examination<sup>19</sup>.

Very few responses mention strategic thinking. This is notable as the PASC questions were about building capability to support strategic aims.

It may be that Departments took the view that the strategic aims are already set and so there is little requirement for strategic thinking. However an earlier PASC inquiry<sup>20</sup> commented that strategic thinking skills are present but are not valued; they are “an unused capacity that should be allowed to grow and flourish”. The report referred to the individual ability to manage complexity and think strategically. In his recent ebook<sup>21</sup> Brink Lindsey of the Cato Institute suggests that the ‘leitmotiv’ of post-industrial economy is growing complexity – “there is more knowledge to acquire, more institutions to deal with and more choices to make. Success increasingly depends on your ability to master complexity, which in turn depends on your ability to master abstraction; to see how particular bits of information fit into abstract patterns and to think through the long-term consequences of your actions”.

*possible focus for future review* could be to examine how mental complexity is evaluated and developed especially in senior civil servants.

*The role of Non-Executive Directors* - as the Prime Minister said, “Of course delivering good public services is very different from running a business”.

Some NEDs focus on commercial skills, management information and business models. Some focus on leadership and almost all on development of capability – in systems, processes and individuals. Those in service industries know that good service depends on people at the front time being freed up to make decisions and can help especially in the

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<sup>19</sup> see Take Off or Tail Off: an Evaluation of the Capability Reviews. Sunningdale Institute. 2007.

<sup>20</sup> Strategic Thinking in Government 2012

<sup>21</sup> Human Capitalism. Brink Lindsey. August 2012

development and management that ensures “staff at the front line innovate in order to provide the best possible outcomes”.

NEDs are seen by most Departments to have expertise in assessing and managing risk and there are some indications of an assumption that this responsibility can and should be handed to them. Decentralising power and funding inevitably means distributing risk. Assessing and managing risk is a skill that civil servants need to develop.

Many NEDs on Departmental Boards have considerable experience of the private sector and could help with the distinction between responsibility and accountability and the clarity sought in most of the responses; i.e. i) that an individual is *responsible* for his or her own work and in a good service organisation will have the discretion to decide how best it can be done and ii) that an individual is *accountable* not only for his or her own work but also for the work of people who report to them and on whom they rely – hence the need for leadership and performance management.

Clarity of responsibility and accountability is also the key to “flattening management structures”. One Department has “reduced ten management layers to six”. Others do not refer to this point but as the Prime Minister said in his introduction to the Civil Service Reform Plan it is essential if Government is to be “more agile, more focused on delivery and on getting results”.

*Review to remedy* - while there are important differences between the review of a particular Department led by its senior Non Executive Director (NED) and the role of the PASC to take an overview and to scrutinise, there is much to be learned in the comments below about the effectiveness of reviewing to remedy.

In leading the capability review, the NED had both formal and informal conversations with people in the Department from which “a common set of messages emerged very quickly. People know what will make a difference... they have all the knowledge, the information and the wisdom. We have to find a way of releasing it...picking up on what people know and what people know how to do. But we need to be very careful not to allow people to stay only with what they know how to do.... we must encourage them to teach each other or find someone else to help.... people want to do their best, they want to contribute”.

*Scrutiny and capability* – at a time when the need to reduce public spending is as urgent as the need to build capability, it might be wise to focus on examining and understanding areas written about and discussed for many years but still not addressed. For instance, clarifying responsibility before holding to account, performance management, inconsistent business models and tools, working collaboratively with colleagues on cross cutting issues, responsiveness to service users, working collaboratively with delivery partners.

The intention of the scrutiny would not be to blame or criticise but to understand why – despite attention and time - these areas have not yet been strengthened. Understanding would make it possible to focus remedy more tightly (and thus more cost effectively).

This kind of scrutiny would benefit from all the information PASC can gather from Departments and PHSO as the basis for reviewing i) what is working well in terms of cost and quality; ii) the conditions of leadership, management, systems, disciplines that have made that possible; iii) how those good practices have been disseminated.