



National Audit Office

## **CABINET OFFICE**

# Assessment of the Capability Review programme

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 123 Session 2008-2009 | 5 February 2009

Cover image: View of Burghley House by Robert Havell and Frederick Mackenzie.  
The parkland was laid out by Capability Brown.

Photograph courtesy of The Bridgeman Art Library.

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Assessment of the Capability Review programme

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**23 January 2009**

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# SUMMARY

**1** Launched in 2005, the Capability Review programme is the first to assess systematically the organisational capabilities of individual departments and to publish results that can be compared across departments. Its objective is to create a step change in central government's capability to meet current and future delivery challenges. In response to weaknesses identified in its review, each department must draw up and follow an action plan to ensure that it can meet the challenges to its current and future delivery.

**2** The Cabinet Office directs and manages the programme, and the Cabinet Secretary, as head of the civil service, is closely involved in it. Senior civil servants and external experts helped to design a model that focuses on ten elements of capability, grouped

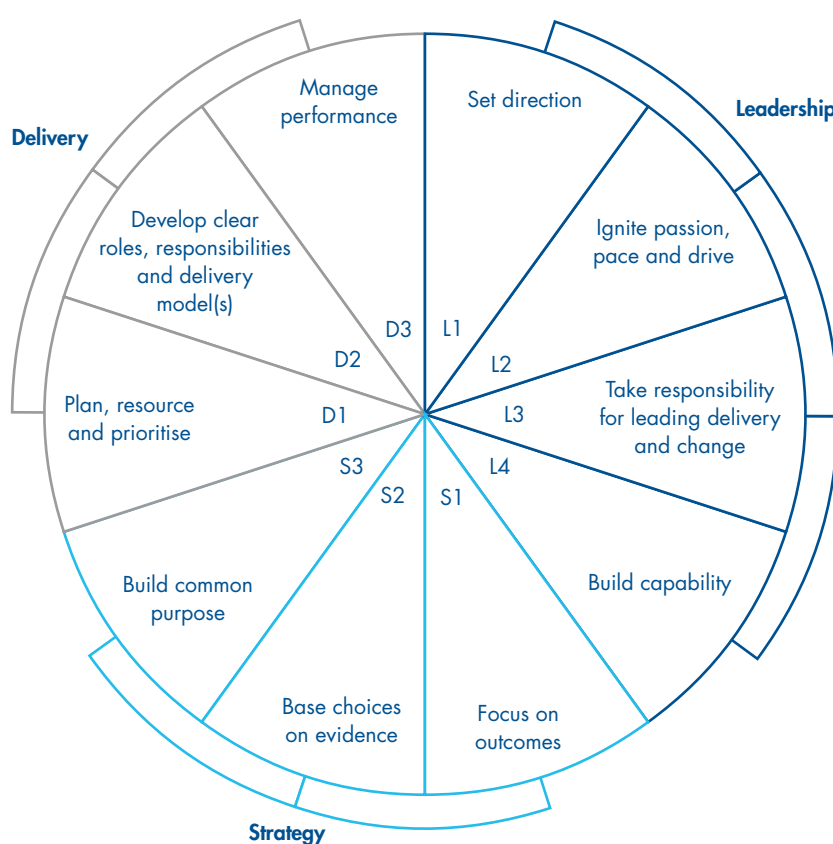
around the three areas of leadership, strategy and delivery, that applies to all UK government departments (**Figure 1**). Only four other countries in the Organisation for Economic Co-operation and Development have initiatives comparable to the Capability Reviews, in terms of scope, coverage and approach. The Cabinet Office decided to run the Capability Review programme from within government but to inject a level of independence and insight by recruiting senior external experts to the review teams, with each five-member review team including typically two members from the private sector and one from local government.

**3** The first-round of reviews followed a cycle shown in **Figure 2 overleaf**. All 17 major government departments were reviewed in five tranches between July 2006 and December 2007 (Appendix 4). For the first-round reviews, the Cabinet Office has carried out progress stocktakes at three-month, six-month and 12-month intervals, followed by second-round reviews after 24 months. It completed the first six of its second-round reviews in July and December 2008 and will complete the remaining second-round reviews in tranches finishing in July 2009.

**4** With first-round reviews now completed on all departments, and many departments fully through or well through their responses to these reviews, we evaluate in this report what the Capability Review programme has achieved so far and suggest how it can be developed and improved as it enters its next phase. We examine:

- the Capability Review model and process (Part 1);
- how departments have responded to their Capability Reviews (Part 2); and
- what has been the impact on departments of actions they have taken (Part 3).

## 1 The Cabinet Office's model of capability

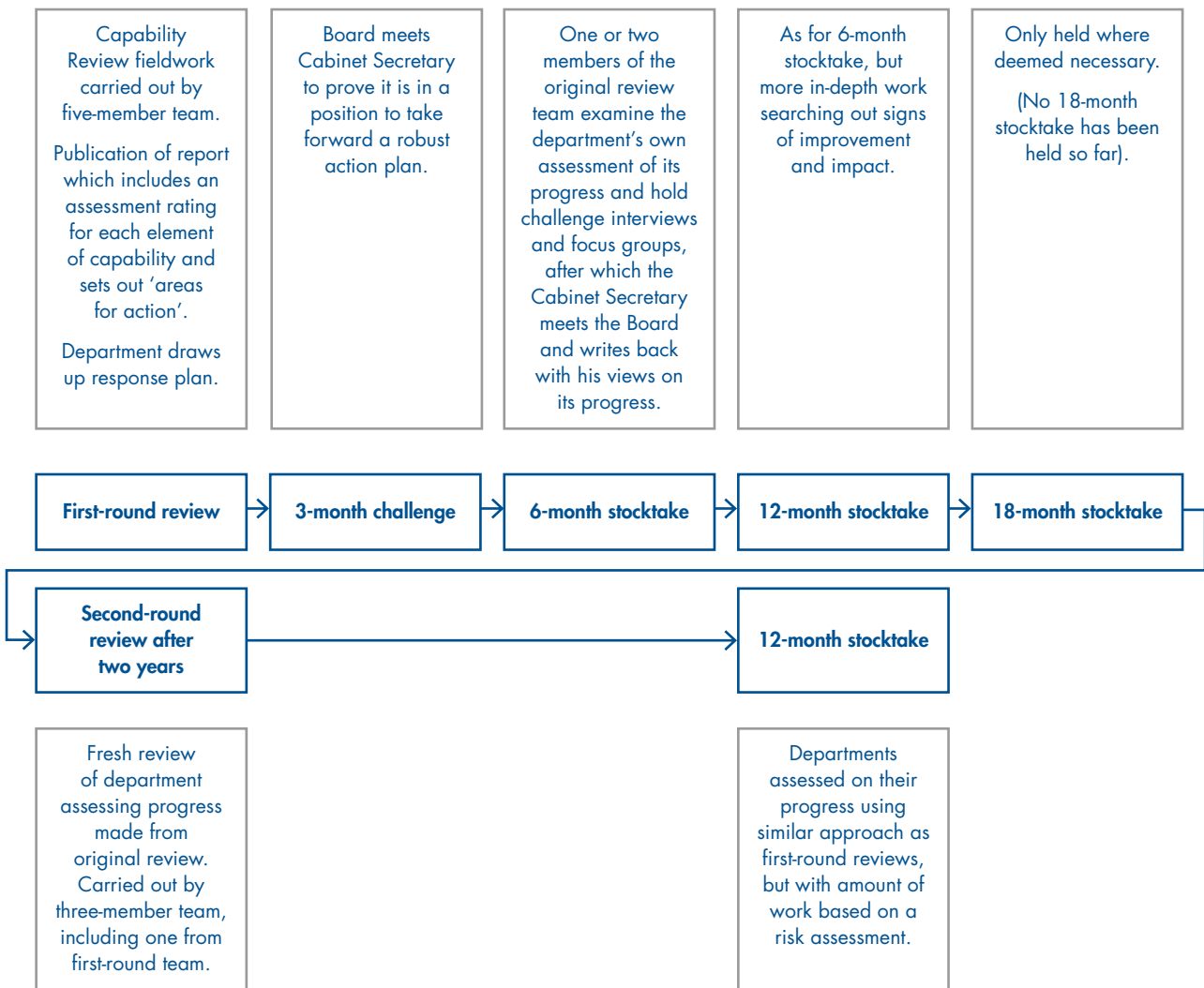


### Assessment categories:

- Strong (4) – good capability for future delivery in place.
- Well placed (3) – well placed to address any gaps in capability for future delivery through practical actions that are planned or already underway.
- Development area (2) – the department should be capable of addressing some significant weaknesses in capability for future delivery by taking remedial action.
- Urgent development area (1) – significant weaknesses in capability for future delivery that require urgent action.
- Serious concerns (0) – serious concerns about current capability.

Source: Cabinet Office

## 2 The Capability Review cycle



Source: National Audit Office analysis of Cabinet Office documents on the Capability Review process

**5** The report covers all departments which have had reviews and includes in-depth work on three 'case study' departments drawn from the first and third tranches: the Department for Environment, Food and Rural Affairs; the Foreign & Commonwealth Office; and the Home Office. We examined reviews and stocktakes up to July 2008 and also report here the results of the December 2008 stocktakes and second-round reviews. Outside our scope were the Permanent Secretary stocktakes commissioned by the Scottish Government and Welsh Assembly Government using the Capability Review model.

**6** Alongside this report, we commissioned research (published separately) which found that the United Kingdom's public administration stands up well when benchmarked against countries such as Canada, New Zealand and Sweden, which have public administrations seen as being the most advanced in the world. The research also found a discrepancy between how well UK public administration functions and actual results as citizens perceive them.



## Key findings

What has the Capability Review programme cost?

**7 The first-round of Capability Reviews cost the Cabinet Office £5.5 million, equivalent to £324,000 for each department covered. The expected cost of second-round reviews has reduced to £4.3 million, equivalent to £226,000 for each department covered.**

The quoted costs, expressed in 2007-08 prices, are for reviews and stocktake assurance work. The Cabinet Office spent a further £0.9 million developing the Capability Review methodology and process, and it has increased its activities in supporting departments to act on the results of Capability Reviews from £0.2 million a year to £0.8 million a year. Appendix 3 gives further details of all these calculations.

**8 Departments are unable to provide full estimates of their Capability Review related costs.**

We asked departments to estimate how much they spent during reviews and stocktakes and in implementing their post-review action plans (Appendix 3). Thirteen departments provided information on how much they spent during reviews and seven on implementation costs for their action plan. The information they provided ranged widely and was not a reliable measure of full expenditure because departments found it difficult to isolate expenditure related to their Capability Review from expenditure on wider change and improvement programmes or consider opportunity costs.

What have the first Capability Reviews revealed?

**9 Two-thirds of the 170 capability assessments in the first-round (10 elements were assessed in each of the 17 departments) rated a department less than 'well placed'.**

A quarter of the assessments revealed 'urgent development areas'. Two departments – the Home Office and the Department of Health – raised 'serious concerns' about their capability in one or two elements (Appendix 4). Overall, the picture was mixed, but only one department, the Department for International Development, was assessed as 'strong' or 'well placed' in more than half of its ratings. Common areas of weakness were leadership from departments' boards, understanding and using different delivery models, and a range of issues around the delivery of services and the skills of staff at all levels. This overall impression confirms conclusions from our work over recent years and that of the Public Accounts Committee.

**10 Capability Reviews do not cover four key areas.**

These areas could be covered in future Capability Reviews without changing the underlying model.

- In the 'delivery' category, Capability Reviews are not linked to departments' reported performance. The Cabinet Office defines capability in terms of a department's ability to deal with future challenges. This implies that in future it will be possible to explain current delivery in terms of earlier capability, as time series of data build up. For the moment, our analysis of departments' performance data for 2005-06 to 2007-08 shows a divergence between reported delivery performance and the review teams' assessments of each department's delivery capability during the same period.
- The reviews' coverage of complex delivery arrangements, including delivery shared with other departments and delivery by executive agencies and executive Non-Departmental Public Bodies, is limited. The quality of such arrangements is central to citizens' experience of government.
- The reviews do not benchmark departments' capabilities against organisations outside the civil service in areas such as the effectiveness of the management board, business planning, customer satisfaction and management of performance.
- The reviews focus on departments' senior leadership and do not directly assess the capabilities of departments' middle management and front-line staff who occupy key positions on the delivery chain.

**11 The Cabinet Office developed the Capability Review model and process iteratively and has not set out a clear forward plan beyond the second-round reviews.** There is now some uncertainty in departments about whether or how the programme will continue, risking a loss of momentum. This is despite the fact that departments tell us they believe the programme is improving their capability, and they respect and value the review teams' experience and insights.

What actions have departments taken in responses to Capability Reviews?

**12 Action to tackle weaknesses in capability is now a prominent feature of board business.** Every department has a designated board member leading the response to its Capability Review and has designated as ‘change director’ a senior manager to coordinate the department’s response to its review. In four departments, the change director is also the designated board member while in the others the change director reports to the designated board member. Half of departments (nine) have given non-executive directors more influence and greater responsibility for challenging managerial decisions and performance and five have streamlined their boards. For example, the Home Office has made new appointments to its board, including a new non-executive director, and given it a stronger focus on defined outcomes and risks, with a quarterly review of performance and delivery. The Foreign & Commonwealth Office consulted a non-executive director when developing its strategic workforce plan. Non-executive directors in each of our case study departments consider that board meetings have become more focused and strategic since their first-round review.

**13 Over half of departments (10) are satisfied about changes made to their senior leadership.** Most departments (14) have made changes to their programme and project management, including using professional skills better. Two-thirds (12), including all three of our case study departments, have moved senior staff so that priority projects are led by those considered to have the most appropriate skills. Almost all (16) are satisfied that they have the people and skills to bring their capability up to strength.

**14 Problems persist in organisational culture.** Two-thirds of departments (11) are tackling problems in their organisational culture, including insularity, the need for staff to feel able to ‘speak up and challenge’, and diversity issues. Two-thirds of departments (12) have put rewards and sanctions in place to motivate senior staff to act on their Capability Reviews. However, a quarter of departments (four) are dissatisfied with progress they are making in changing their organisational culture.

**15 Departments would like more support from the centre of government.** Two-thirds of departments (11) consulted the Cabinet Office when developing responses to Capability Reviews. Ten found the help useful, but seven departments found gaps in the Cabinet Office’s ability to identify and communicate good practice. Just under half of departments (eight) also sought help from the National School of Government. Overall, departments would like more clarity about how these two bodies at the centre of government can provide practical help in developing solutions to common problems that Capability Reviews identify.

What impact are Capability Reviews having on capability and performance?

**16 Departments cannot yet show any clear impact on outcomes as a result of their responses to Capability Reviews.** They found it difficult to separate the impact of Capability Reviews from other programmes and from events that also stimulate change, such as the arrival of a new Permanent Secretary or Secretary of State, external media criticism or an increase in budget. Moreover, it will remain difficult to demonstrate cause and effect while the roughly 270 executive agencies and executive Non-Departmental Public Bodies that deliver many central government services are covered only indirectly by Capability Reviews.

**17 Capability Reviews are beginning to provide evidence of improvement in capability, if not in actual delivery.** Six departments from the first two tranches of Capability Reviews in July and December 2006 had a second-round of reviews completed in July and December 2008 and all achieved better overall results (**Figure 3**). For example, the Home Office moved up two assessment categories in four elements of capability and up one in three. It developed a strong and collective leadership, clarified its strategic direction and delivery model and improved its business planning and corporate services.

**18** In between Capability Reviews, the Cabinet Office stocktake teams assess progress by considering metrics and other information supplied by each department and by holding interviews with the department's leaders and focus groups of a range of staff. These stocktakes show all departments making progress with their areas for action (Figure 4).

**19** Departments have struggled to develop reliable metrics that would indicate their progress from improved capability to improved outcomes. To date they have relied mainly on surveys of their staff and key stakeholders. This method has some limitations both because surveys are inconsistent across departments and because responses from staff and stakeholders can be influenced by many factors, such as media coverage or pay disputes, that are unrelated to capability. Comparing previous and more recent surveys for the three departments in the second tranche of reviews and on which second-round reviews were later completed in December 2008, we found some improvement in staff and stakeholder confidence in the department. Departments that have had the most time to respond to Capability Reviews are showing consistent improvement.

### 3 Changes in scores from the first-round for the six departments which have had second-round Capability Reviews

Score	Number of elements assessed at this score	
	First-round (July and December 2006)	Second-round (July and December 2008)
Strong	2	7
Well placed	16	24
Development area	26	28
Urgent development area	14	1
Serious concerns	2	0

Source: National Audit Office analysis of Cabinet Office first-round and second-round reviews

#### NOTE

The table summarises scores from the first tranche for the Department for Work and Pensions, the Home Office and the Department for Children, Schools and Families (compared in 2008 against the Department for Education and Skills in 2006) and from the second tranche for the Cabinet Office, the Department for Communities and Local Government and the Department for Business, Enterprise & Regulatory Reform (compared in 2008 against the Department of Trade and Industry in 2006).

### 4 National Audit Office analysis of the Cabinet Office's 12-month progress stocktakes for departments awaiting their second-round review

Description of progress	Departments assessed <sup>1</sup>	Capability rating at first-round review <sup>2</sup>	Date of stocktake	
Good progress	3	Culture, Media and Sport	1.9	April 2008
		Foreign & Commonwealth Office	2.2	May 2008
		International Development	2.7	May 2008
Some progress – good progress on some areas for action, but with challenges remaining on others	7	Crown Prosecution Service	2.2	July 2008
		Environment, Food and Rural Affairs	1.9	April 2008
		Health	1.7	July 2008
		HM Revenue & Customs	1.8	December 2008
		HM Treasury	2.3	December 2008
		Ministry of Defence	2.3	April 2008
Transport	2.3	July 2008		

Source: National Audit Office analysis of Cabinet Office progress stocktakes. Cabinet Office stocktake teams do not use a consistent set of descriptors, so the description in the first column is based on our own reading of the stocktake reports.

#### NOTES

1 The Ministry of Justice replaced the Department for Constitutional Affairs in May 2007. It received a baseline assessment, equivalent to a first-round review, in April 2008, because changes in responsibilities meant it had not been practicable to take over the review of the Department for Constitutional Affairs. A baseline assessment for the Department for Innovation, Universities and Skills, created in June 2007, was published in December 2008. There has not been a baseline assessment yet for the Department of Energy and Climate Change, created in October 2008.

2 See Appendix 4.

**20 Capability Reviews are encouraging departments to work together while at the same time sharpening their focus on comparative performance.**

Every department has shared knowledge with other departments about how to tackle common weaknesses in capability. Departments with shared operational interests are holding joint board meetings. The Cabinet Secretary is using the evidence from Capability Reviews to assess the performance of Permanent Secretaries, with implications for salary decisions. Non-executive directors in our case study departments found their departments becoming more willing to look to other departments and private organisations for examples of best practice.

## Conclusion on value for money

**21** The Cabinet Office has delivered the first-round of its Capability Review programme to schedule at an overall cost of £5.5 million (in 2007-08 prices). This is equivalent to £324,000 for each of the 17 departments covered, which have a combined annual budget of £470 billion. The Cabinet Office is delivering the second-round of Capability Reviews at lower cost, having identified ways to make its approach more efficient. There is evidence that departments have made improvements since their Capability Reviews: in better scores at second-round reviews, improved staff and stakeholder survey results, and non-executive directors' views about greater board effectiveness. It is not yet possible to say whether Capability Reviews represent good value for money because the information currently gathered does not prove a clear link between departments' actions and improved performance. There is a divergence between assessments of delivery capability and departments' delivery performance as measured by achievement of Public Service Agreements (Figure 10 on page 26). It will be possible to determine value for money only when departments demonstrate that specific improved outcomes, including better public services, are linked to actions taken in response to Capability Reviews.

## Recommendations

**a** There is a lack of clarity about where the programme is going after the second set of Capability Reviews, which could slow the pace of change.

The Cabinet Office should publish a forward strategy setting out how it plans to develop the programme over the next five years. The strategy should include expected costs to departments and to the Cabinet Office. (Paragraph 1.17)

**b** It is unusual to examine an organisation's leadership, strategy and processes in isolation from its operational results. The lack of a link between Capability Review scores and reported performance will appear increasingly anomalous and could undermine the credibility of both.

Departments should determine how and after what time lag they expect action taken in response to Capability Reviews to lead to improved performance. They should explain the links between actions and outcomes as part of their evidence for future Capability Reviews, and provide data demonstrating improved performance. This learning about cause and effect should be published in Capability Review reports for the benefit of other departments and to enable value for money to be determined. (Paragraphs 1.19, 1.20 and 3.2)

**c** Capability Reviews do not directly assess the capability of most executive agencies and executive Non Departmental Public Bodies that are involved in front line delivery. There are some exceptions, for example the Home Office review covered its two largest executive agencies.

The Cabinet Office should agree with departments an initial number of executive agencies and executive Non-Departmental Public Bodies to be assessed using an approach informed by Capability Reviews. The relevant departments should develop the approach with the support and agreement of the Cabinet Office, identifying external reviewers with appropriate experience, and overseeing the assessments. (Paragraphs 1.21 and 1.22)



**d Citizens' experience of public services is often determined by how well departments use complex delivery arrangements that are not examined in Capability Reviews.** The reviews should include assessments of departments' effectiveness in: working with other departments; commissioning work from delivery agents; holding delivery agents to account for the quality of their work, including citizens' experience of it; and developing influential relationships with organisations over which they have no direct control but which are crucial to successful delivery of their objectives. (Paragraphs 1.21 and 1.26)

**e Departments are struggling to identify metrics that will give assurance that their actions in response to Capability Reviews are on course to generate the desired outcomes.** Departments, with help from the Cabinet Office, should work together to identify suitable metrics. These should measure, as well as staff and stakeholder perceptions, aspects of delivery such as project performance and customer complaints, and the skills and commitment of staff. (Paragraphs 1.24, 2.17 and 3.17)

**f Capability Reviews are missing opportunities to drive improvement further by not comparing performance with organisations outside the civil service.** In overseeing the development of metrics in the previous recommendation, the Cabinet Office should encourage departments to move wherever possible to metrics that are standard across departments and in common use by other organisations outside central government to aid comparison of performance. As well as driving higher performance, such benchmarking will help maintain momentum for continuous improvement because departments will have to do better simply to maintain scores relative to other improving organisations. (Paragraphs 1.24 and 3.17)

**g Individual departments find it hard to identify the best sources of good practice.** The Cabinet Office and National School of Government should clarify how they will work with departments by drawing up an agreement with the rest of central government. This agreement should cover: how the Cabinet Office will analyse and disseminate findings from all Capability Reviews; how findings will drive the work of the Cabinet Office and the National School of Government; a website for departments to share good practice and discuss common issues; and a communications strategy to publicise the agreement. (Paragraphs 2.15 and 2.17 to 2.20)

# CASE STUDIES

## Key findings from each case study

### 1. Home Office

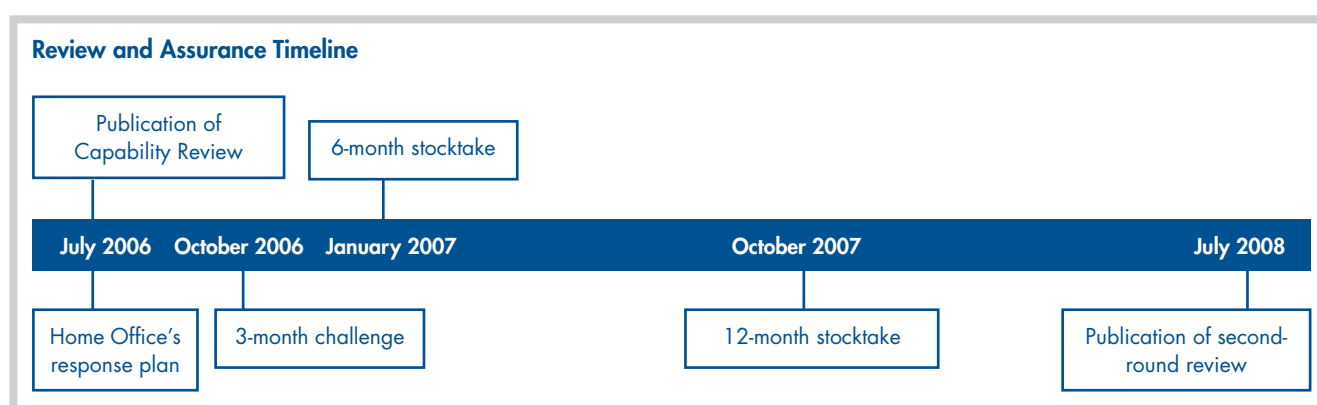
#### Context

**a** The Home Office leads the government-wide strategy to counter terrorism in the UK, alongside responsibilities for policing, crime reduction, borders and immigration, identity and passports. It is one of the largest government departments, directly employing around 28,000 staff. It has three delivery agencies (the Criminal Records Bureau, the Identity and Passport Service and the UK Border Agency), 17 Non-Departmental Public Bodies and is responsible for the police service in England and Wales. Its Permanent Secretary, Sir David Normington KCB, was appointed in January 2006.

**b** The Home Office leads on four of the objectives in its Public Service Agreement (PSA) for the 2007 Comprehensive Spending Review (CSR07), which covers spending in 2008-09, 2009-10 and 2010-11.

- Reduce the harm caused by alcohol and drugs.
- Reduce the risk to the UK and its interests overseas from international terrorism.
- Make communities safer.
- Ensure controlled and fair migration that protects the public and contributes to economic growth.

**c** At the time of its first Capability Review (July 2006), the Home Office was on track to meet its PSA targets. There were, however, a number of factors which called its capability into question. Among these were: operational weaknesses at the Immigration and Nationality Directorate; over 600 convicted foreign criminals being released from prison between 2001 and 2005 without being considered for deportation; and the inability of the Home Office to produce 2004-05 financial accounts to the minimum standard required for external audit, with many of the system and control weaknesses remaining present in 2005-06.



## Key areas for action identified in the Capability Review

**d** The Home Office's overall capability assessment score of 1.4 in July 2006 was the lowest of any department in the first-round reviews (Appendix 4). The review identified two areas of serious concern – 'build capability' and 'plan, resource and prioritise' – and two urgent development areas – 'set direction' and 'develop clear roles, responsibilities and delivery model(s)'. It set out five areas for action.

- i** Strengthen the board.
- ii** Improve leadership and empowerment of the 250 most senior staff.
- iii** Tackle the variety, appropriateness and complexity of delivery models and their impact on the delivery chain to improve operational grip and performance.
- iv** Strengthen corporate services and how they support the business.
- v** Prioritise and allocate resources to what is important.

## How the department responded

### Structure and engagement

**e** The Home Office developed a response plan, which it called a Reform Action Plan, comprising 29 projects in seven workstreams with three overarching themes.

- New leadership: a new top team for the Home Office.
- A new organisation: reshaping radically the structure and organisation of the Home Office, reducing the size of the HQ.
- Defining the purpose of the Home Office.

**f** A board-level Director General of Strategy and Reform was appointed in the role of change director to lead the response to the Capability Review. In the first year of the programme, the change director's team reported every two weeks to the department's Programme Reform Board, which comprised board members and was chaired by the Permanent Secretary. As projects within the plan were progressively completed, the Programme Reform Board moved to monthly meetings, chaired by the change director. Senior staff and key stakeholders were involved in taking the plan forward, through workshops attended by the Permanent Secretary.

## Changes made

- g** The Home Office has made the following changes.
- **Board:** New appointments to the board, including one new non-executive director, and a new board focus on strategy, priorities, risks and quarterly review of performance and delivery.
  - **Leadership and skills:** Leadership development programme and skills training, including for project and programme management.
  - **Delivery model:** New operating model and framework, supported by operating reviews.
  - **Corporate services:** Strengthened corporate and finance function, with new senior staff recruited, and new financial controls.
  - **Resource allocation:** Closer board scrutiny of performance reports.

### Cabinet Office assessment at second-round review: July 2008

Area(s) for action	Assessment
1 and 2. Leadership	Has developed a strong and collective leadership, The strategic direction is now clear and focused on defined outcomes. It needs to continue its focus on engaging staff below senior civil service level.
3. Appropriate delivery models and improved performance management	The delivery model is now clear. There is a strong performance management culture, with regular operating reviews and an increased emphasis on risk.
4. Strengthen corporate services	Very good progress on developing corporate functions and corporate discipline so that it supports and underpins the business.
5. Prioritisation and allocation of resources	Good progress on professional business planning and delivery plans. Challenges remain in ensuring that rigorous approaches to prioritisation are embedded throughout the Home Office.

## 2. Department for Environment, Food and Rural Affairs (Defra)

### Context

**a** The Department for Environment, Food and Rural Affairs was created in 2001, when the Ministry of Agriculture, Fisheries and Food merged with part of the Department of Environment, Transport and the Regions. Its Permanent Secretary, Dame Helen Ghosh DCB, was appointed in November 2005. There are 3,000 employed in the core department and a further 8,000 across the total Defra family, including executive agencies and Non-Departmental Public Bodies.

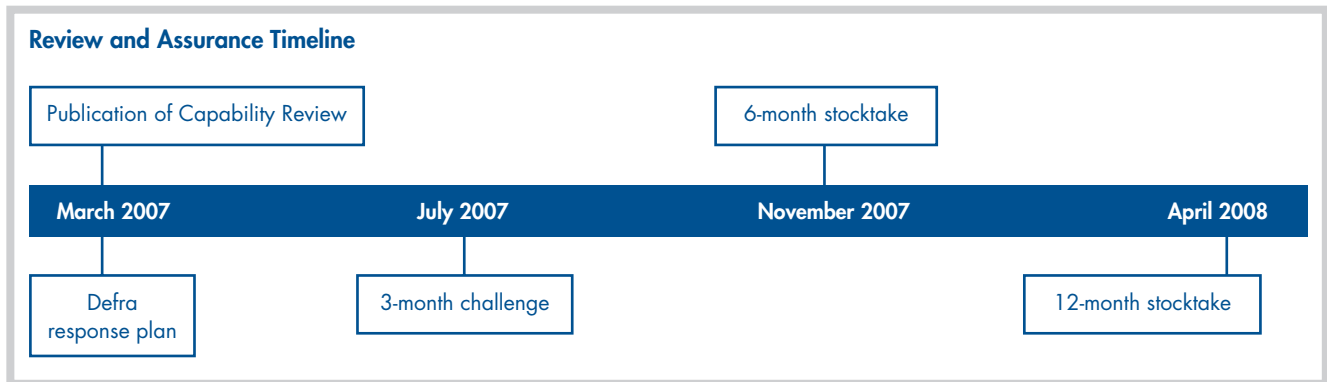
**b** Defra leads on one of the objectives in its PSA resulting from CSR07<sup>1</sup>: to secure a healthy natural environment for today and the future. This objective is long-term and influenced by external factors, requiring Defra to influence others domestically and internationally.

**c** At the time of the Capability Review (March 2007), Defra had received significant criticism for its management of the Rural Payments Agency and in 2006-07 had to reduce its budgets by £170 million mid year to mitigate the risk of a major overspend. As part of its response to the Gershon Review, Defra was also implementing significant headcount reductions – 3,000 full-time equivalents in 2006-07.

### Key areas for action identified in the Capability Review

**d** Defra’s capability assessment score of 1.9 in March 2007 was below average (Appendix 4). The review identified four ‘urgent development areas’ – ‘ignite passion, pace and drive’; ‘take responsibility for leading delivery and change’; ‘plan, resource and prioritise’; and ‘manage performance’ – and five areas for action.

- i** Strengthen the senior leadership team.
- ii** Provide services based around the customer.
- iii** Create a true partnership with delivery partners.
- iv** Set high standards and actively manage individual and organisational performance.
- v** Develop robust business processes.



<sup>1</sup> In October 2008, a new Department of Energy and Climate Change was created from the Climate Change Group within Defra and the Department for Business, Enterprise & Regulatory Reform’s Energy Group. It took over, from Defra, responsibility for the CSR07 PSA target to ‘lead the global effort to avoid dangerous climate change’.



## How the department responded

### Structure and engagement

**e** Defra launched, in November 2006 prior to the Capability Review, a change programme, Renew Defra, to deliver its priorities better. Renew was an 18 month fixed-length programme, starting in April 2007. Defra brought in external change management skills, recruiting a programme director who had worked for HM Revenue & Customs and PA Consulting and drawing in skills and advice from Deloitte. Renew comprised five workstreams.

- Building a high-performance culture.
- Seeing ourselves as customers see us.
- Defining the Defra way of doing things.
- Delivering a Right Size, Right Shape, Right Skills organisation.
- Managing the programme.

**f** Defra decided to respond to its Capability Review by subsuming the five areas for action into the Renew workstreams rather than creating a separate response plan.

**g** Defra's Permanent Secretary and management board exercised strategic oversight of the Renew programme and the response to the Capability Review. This involved setting direction, championing action to be taken and reviewing progress. The need for the change programme was communicated to all staff by the board at open sessions. These provided staff with the opportunity to influence the programme. Engagement at lower levels within the organisation was less strong.

### Changes made

**h** During the Renew Programme's 18-month span, Defra made the following changes.

- **Flexible staff resourcing:** Defra's core staff are working in a programme and project structure, allowing them to be allocated to different assignments as they arise.
- **A staff development process:** Over 500 Development Managers have been appointed internally to support staff in their personal development.

- **Revised planning, performance, policy and programme and project management processes:** These include Defra's portfolio management and corporate performance management.
- **Personal and professional development:** Defra has delivered a leadership development programme, a new competency framework and a revised individual performance management process.
- **Governance of delivery:** Defra has put in place new arrangements such as: the Defra Network Delivery Group; corporate owners, customers and sponsors; and "the Deal" – an optional agreement between Defra and delivery bodies that sets out responsibilities and required behaviours.
- **A new policy cycle:** The cycle introduces consistency in policy development across Defra, including its approach to consultation. The policy cycle requires the sign off of business cases by approvals panels at fixed points.

### Cabinet Office assessment at 12-month stocktake: April 2008

Area for action	Assurance assessment
1. Strengthen the leadership team	Significant progress.
2. Base services around customer needs	Has introduced some initiatives but needs to do much more to become truly customer-focused.
3. Create true partnerships with delivery agents	Some progress in engaging delivery partners in the policy cycle, but needs now to shift the focus of its change programme more to external relationships.
4. Manage individual and organisational performance	Has successfully developed all the processes to be a high performing organisation but needs now to implement them in a consistent fashion.
5. Develop robust business processes, linking resources to business priorities	Has developed a good set of business processes and the challenge is to now operationalise them effectively.

### 3. Foreign & Commonwealth Office (FCO)

#### Context

**a** The FCO supports British nationals abroad, managed migration and the British economy, with policy goals to prevent and resolve conflict, promote a low carbon, high growth global economy, develop effective international institutions, and counter terrorism and weapons proliferation. Its Permanent Under-Secretary, Sir Peter Ricketts KCMG, was appointed in July 2006. The FCO has a network of 260 posts in 145 countries, with 6,000 United Kingdom civil servants (60 per cent in the Diplomatic Service, with around 40 per cent currently overseas) and 10,000 locally engaged staff overseas. It has one executive agency (Wilton Park) and one trading fund (FCO Services) and is 'joint department', with the Department for Business, Enterprise & Regulatory Reform, for the UK Trade & Investment executive agency. Before 1 April 2008, it was 'joint department' with the Home Office, for what was then UKvisas.

**b** FCO leads on one of the objectives in its PSA resulting from CSR07: to reduce the impact of conflict through enhanced UK and international efforts. Achievement of this objective requires it to work closely with other departments, particularly the Department for International Development and the Ministry of Defence, and secure influence overseas.

**c** Prior to the Capability Review (March 2007), FCO was already working to professionalise its corporate services, including finance, and improve its project management. Over recent years, FCO has also been adjusting how its resources are deployed together with enhancing its skill base to meet changing international priorities, such as terrorism and climate change.

#### Key areas for action identified in the Capability Review

- d** FCO's capability assessment score of 2.2 in March 2007 was around the average (Appendix 4). The review identified two 'urgent development areas' – 'set direction'; and 'plan, resource and prioritise' – and four areas for action.
  - i** Articulate clearly the FCO's distinctive contribution to delivering the UK's objectives overseas and the implications for its future role, shape and delivery model.
  - ii** Strengthen capability in change management and communications.
  - iii** Strengthen the strategic management of human resources and knowledge to support the future role and shape of the FCO.
  - iv** Strengthen business planning processes and disciplines to underpin more effective performance measures and resource allocation.

#### How the department responded

##### Structure and engagement

**e** In March 2007, FCO developed an initial Response Plan, which was superseded, in May 2007, by a High Level Change Plan. This brought together the FCO's main change programmes, including the Capability Review's areas for action, into a single 12 programme plan.



**f** To oversee the design, delivery and communication of change, the FCO appointed, in July 2007, a board-level Director General for Change and Delivery who had undergone recent training in leading organisational change. It also recruited a change director from HM Revenue & Customs, heading a small six-member Change Unit to coordinate the change programmes. These programmes are managed by senior officials outside the Unit. FCO also set up a Change Committee, with the remit to ensure that change activities are coherent, achievable and focused, and a Change Coordination Group, which meets monthly and includes all programme managers or their representatives. The group is chaired by the change director, who also sits on programme boards and each month provides the board with a traffic-light assessment of the status of each change programme.

**g** The Permanent Under-Secretary and board are engaged with the change programme and the FCO has an emphasis on achieving clear, unambiguous communication. The Director General and members of the Change Unit disseminate messages across the dispersed organisation through teleconferences, the intranet and regular visits, while over 200 staff act as Change Agents, providing feedback from the network and communicating messages.

### Changes made

**h** FCO has made the following changes.

- **Strategy:** A new Strategic Framework and Mission Statement ('Better World, Better Britain'), which came into effect in April 2008. It aligns the FCO's global staff levels to its delivery priorities and required the move, during 2008-09, of a significant number of policy slots from Europe to work on policy priorities in Asia, the Middle East and elsewhere.
- **Change management:** A new approach to managing change and training on leading change and understanding change.
- **Human Resources:** The opening of senior management structure appointments to Whitehall-wide competition, talent management exercises and publication, in 2008, of a strategic workforce plan, setting out likely workforce needs in five years' time and what this means for recruitment, training, promotion and retirement.
- **Business planning:** A new business planning framework for 2007-08, organising resources around the FCO's 10 strategic priorities and linking the business plans for each geographical directorate and country to these. Lessons learned were incorporated into a revised process for 2008-09 linking resources to the revised Departmental Strategic Objectives under the new framework.

#### Cabinet Office assessment at 12-month stocktake: May 2008

Area for action	Assurance assessment
1. Vision and strategy	Good progress, with staff displaying increased confidence and clarity about priorities.
2. Change management	Very good progress, with the Director General and his team well respected and staff survey results showing clear improvement.
3. Strategic human resources	Progress since the stocktake at six months, when this was the least convincing area of progress. But concerns remained around links between the future operating model and workforce planning, staff engaged overseas and diversity.
4. Business planning	Good progress, with a business planning process and culture becoming embedded and the quality of business plans improving.

# PART ONE

## The development of Capability Reviews

**1.1** This part of the report describes the development of the Capability Review programme and findings from the first-round of reviews. It looks at:

- the context and aims of Capability Reviews (paragraphs 1.2–1.6);
- what we examined (paragraph 1.7);
- the Capability Review process (paragraphs 1.8–1.11);
- what the Capability Reviews have cost (paragraphs 1.12–1.13);
- what the Capability Reviews have found (paragraphs 1.14–1.15); and
- how the Capability Review model and process could be improved (paragraphs 1.16–1.26).

### The context and aims of Capability Reviews

**1.2** Research we commissioned<sup>2</sup> found that the UK civil service stands up well when benchmarked against countries such as Canada, New Zealand and Sweden, which have public administrations seen as being the most advanced in the world. The research found good levels of transparency in UK public administration, a culture of seeking value for money and relatively good performance management systems, leadership structures and capacity for change. But it found a discrepancy between how well UK public administration functions and the actual results as citizens perceive them, with the public largely dissatisfied with services and pessimistic about them becoming better.

**1.3** The Cabinet Secretary has described his vision of ‘a flexible, adaptable, fast-moving and skilful civil service, with pride in its work, passionate about serving the citizen, professional in the services it delivers and which

demonstrates pace in the drive to improve’. He launched the Capability Review programme in October 2005 with the specific aims to:

- achieve a step change in the capability of the civil service to meet current and future delivery challenges, in the context of a changing environment of public service delivery where providers need to be more flexible, adaptable, individual and professional;
- assure the public and Ministers that the civil service leadership is equipped to develop and deliver departmental strategies; and
- help departments act on long term key development areas and therefore provide assurance on future delivery.

**1.4** The Capability Review programme is the first to assess systematically the organisational strengths and weaknesses of government departments and to publish comparative results. Reviews cover all major departments, a total of 17 in the first-round. The programme includes ongoing stocktakes at which the Cabinet Secretary holds Permanent Secretaries and boards to account for progress in addressing areas of weakness. Of 22 out of 30 countries in the Organisation for Economic Co-operation and Development who responded to a survey we conducted, only four were able to provide examples of programmes comparable to the Capability Reviews, in terms of scope, coverage and approach (Appendix 5).

**1.5** Capability Reviews have built upon earlier initiatives to improve civil service management (**Figure 5**). Their forerunners were Performance Partnership Agreements which operated between 2003 and 2006 but which did not involve external assessments and assurance stocktakes. The Cabinet Office runs the Capability Review programme through the Civil Service Capability Group (**Figure 6**).

<sup>2</sup> *An International Comparison of the United Kingdom's Public Administration*, report for the National Audit Office, Accenture, 2008.

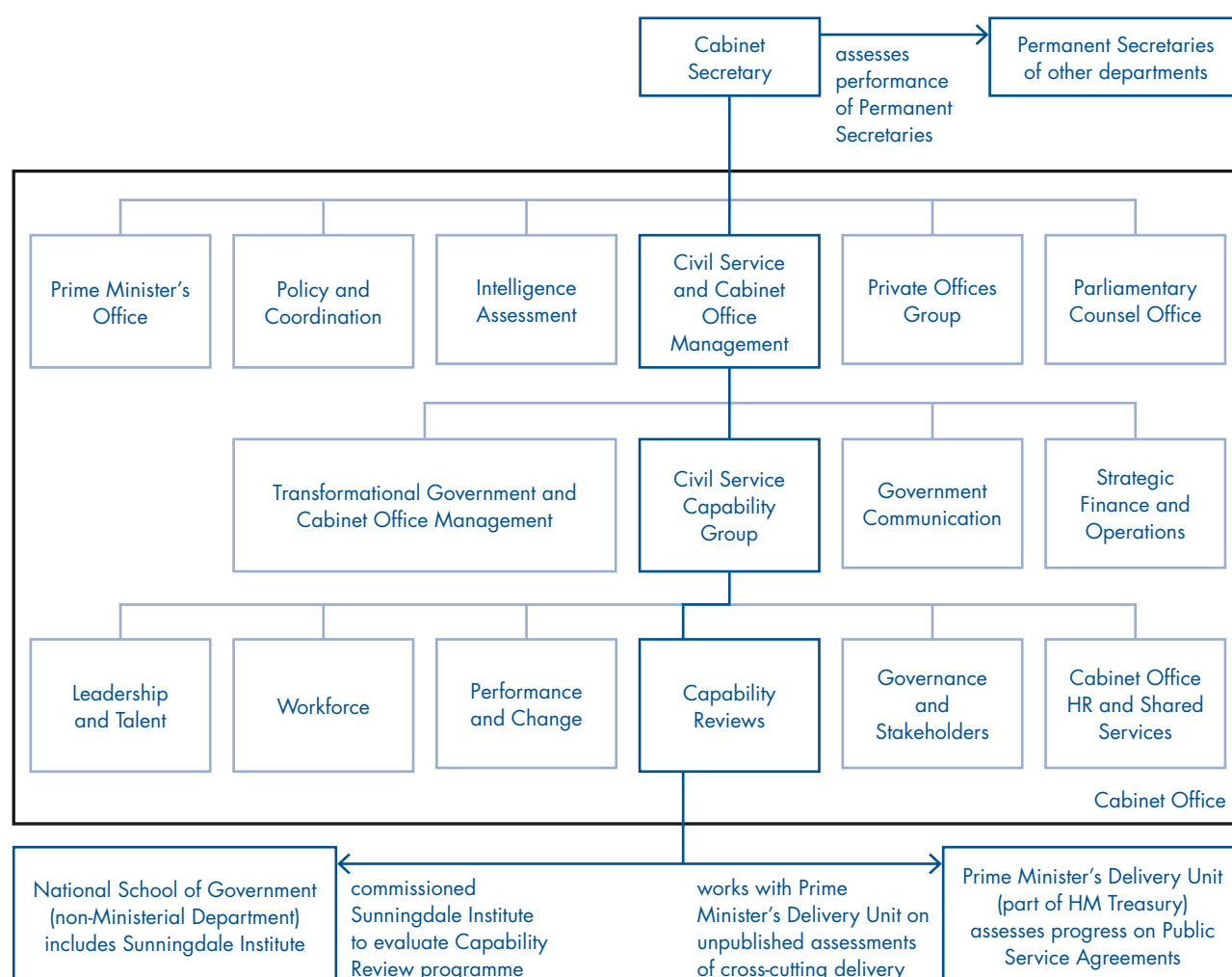


## 5 Earlier initiatives to improve civil service management

Initiative	From	Features and aims
Professional Skills for Government	2004	A skills framework and strategy for the civil service, with one of its objectives to improve departmental leadership through broadening the skill sets of senior civil servants.
Performance Partnership Agreements	2003	Departments agreed priorities and organisational change objectives with the Cabinet Office, HM Treasury and No. 10.
Reform Strategy Team	2002	To support the new Cabinet Secretary's vision of a reformed civil service respected for its capacity to deliver and to oversee change programmes in all departments.
Modernising Government	1999	To deliver quality, citizen-focused services in a joined-up manner within the context of changing technologies, public expectations and pressures to be more efficient.
Next Steps Agencies	1988	Transferred delivery to newly created executive agencies, with the core civil service focusing on policy advice.
Financial Management Initiative	1982	Designed to inform departments about the costs of their operations and to promote better management.

Source: National Audit Office analysis of published documents

## 6 The Capability Reviews unit within the Cabinet Office



Source: National Audit Office analysis of published information

**1.6** The core Capability Review programme does not formally extend to the devolved administrations. However, the Scottish Government and the Welsh Assembly Government commissioned Permanent Secretary stocktakes using the Capability Review model.

## What we examined

**1.7** We examined how departments have responded to Capability Reviews and what impact their actions have had on capabilities and performance outcomes (Appendix 1). Much of this information is necessarily qualitative, so, wherever possible, we have sought to triangulate findings from a range of independent sources. Our report is based on evidence from:

- surveying and interviewing the officials responsible for coordinating departments' responses to the Capability Reviews (known collectively as 'change directors');
- in-depth work in three case study departments (the Department for Environment, Food and Rural Affairs, the Foreign & Commonwealth Office and the Home Office), including interviews with internal staff, non-executive directors, external review team members and focus groups;
- reviewing documents from the Cabinet Office's progress stocktakes and departments' metrics;
- analysing information from the Cabinet Office and departments on the cost of the reviews and departments' responses to them;
- interviewing bodies who hold a stake in the success of the Capability Review programme, including the National School of Government, Sunningdale Institute, Prime Minister's Delivery Unit and Cabinet Office;
- obtaining and reviewing information from other State Audit Institutions on review programmes which have similar aims to Capability Reviews; and
- consulting expert academics.

## The Capability Review process

**1.8** Organisational assessment is not an exact science. There are many approaches, such as the Excellence Model promoted by the European Foundation for Quality Management, the Comprehensive Performance Assessment used for local government, and techniques used by overseas governments (Appendix 5). The Cabinet Office had to choose a process that would cover the important characteristics of the civil service, apply equally to every department, and win the confidence of its senior staff, particularly Permanent Secretaries. Faced with these considerations, the Cabinet Office decided not to use an existing model but to develop its own, through consultation with senior leaders in Whitehall and external experts.

**1.9** The Capability Review model covers three key areas of capability: leadership, strategy and delivery. For each of these, it focuses on the capabilities of the top management team. It does so because a key first step in a programme of transformation is to have in place a strong top management team committed to change. Capability is assessed using a standard list of questions (Appendix 2) for ten assessment elements under the broad headings of leadership (4), strategy (3) and delivery (3). Each element is given a descriptive assessment as 'serious concerns', 'urgent development area', 'development area', 'well placed', and 'strong'. Our analyses convert these to an equivalent numerical scale from 0 to 4. Findings and assessments are published.

**1.10** The Cabinet Office decided to run the Capability Review programme itself. To address the inherent lack of independence and to obtain high level expert insights from senior people running comparably complex organisations, it recruited teams of senior external reviewers from the private sector, the wider public sector and board-level members of other government departments (**Figure 7**). In the first-round, carried out in five tranches during 2006 and 2007, each review team contained five members, reducing to three for the second-round from 2008 to 2009.

**1.11** Departments act initially on Capability Review findings by setting out, within the published Capability Review reports, how they intend to respond to identified ‘areas for action’. Departments have to account for subsequent progress through stocktakes held at three months, six months and 12 months after publication (Figure 2 on page 6). The Cabinet Secretary meets the Permanent Secretary and board of each department to discuss external reviewers’ progress assessments, writing afterwards to record his view of what needs to be done next. After two years, there is a further full Capability Review. We estimate that Capability Reviews took up around seven per cent of the Cabinet Secretary’s time during the first-round, but that this will fall to less than five per cent from 2009 onwards.

## What the Capability Reviews have cost

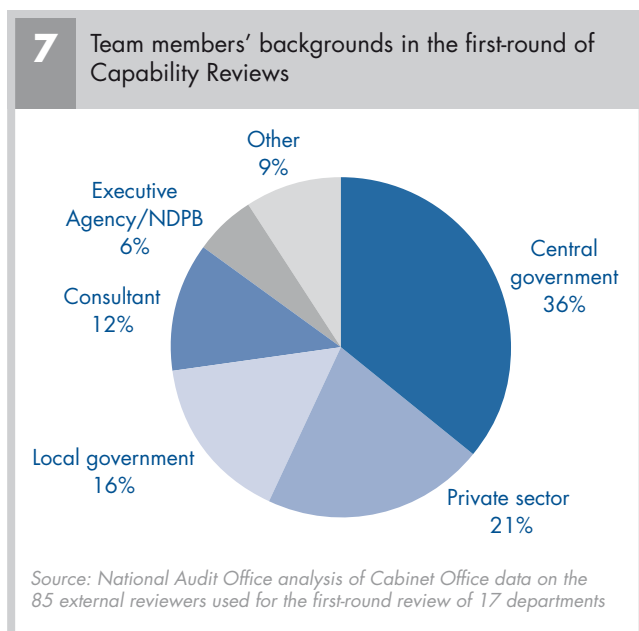
**1.12** The first-round of Capability Reviews and assurance stocktakes cost the Cabinet Office £5.5 million, at 2007-08 prices, equivalent to £324,000 for each department covered (Appendix 3, Figure 18). In addition, the Cabinet Office spent £0.9 million developing the Capability Review process and an estimated £0.2 million a year helping departments to act on the results of their Capability Reviews. The Cabinet Office recharged £250,000 to each department, reducing this charge for any department that provided some of its own staff to help review other departments.

**1.13** Through changes to the process and internal efficiencies, the Cabinet Office expects to be able to limit to £4.3 million the likely cost of second-round reviews and stocktakes, equivalent to £226,000 for each department (Appendix 3, Figure 18), and to lower the recharge to departments by 40 per cent to £150,000. The main elements of streamlining have been reducing the number of external reviewers from five to three and holding just one stocktake after 12 months, assessing this to be a proportionate level of oversight. The Cabinet Office is increasing its spending on support to departments, undertaking this activity through a new and separate team dedicated to this task.

## What the Capability Reviews have found

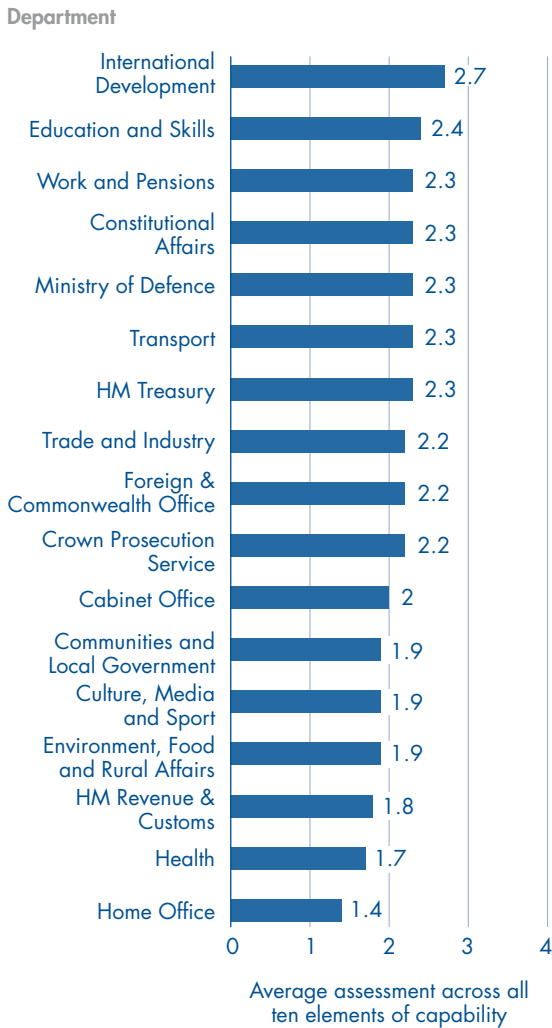
**1.14** The first-round of Capability Reviews, published between July 2006 and December 2007, presented a mixed picture (**Figure 8 overleaf**). Two-thirds of the 170 capability assessments (10 elements were assessed in each of the 17 departments) rated a department less than ‘well placed’ (Appendix 4). Generally, departments were assessed to be strongest on strategy and weaker on leadership and delivery. Only one department, the Department for International Development, was assessed as ‘strong’ or ‘well placed’ for more than half the elements of capability.

**1.15** In December 2007, the Cabinet Office published *Progress and Next Steps* in which it analysed departments’ progress on four groups of common challenges it had identified from its analysis of the reviews completed to March 2007 (**Figure 9 on page 24**). The Cabinet Office found progress on leadership and delivery models, but continuing challenges in skills, capacity and capability and in the ability of departments’ leadership teams to drive delivery and manage performance.

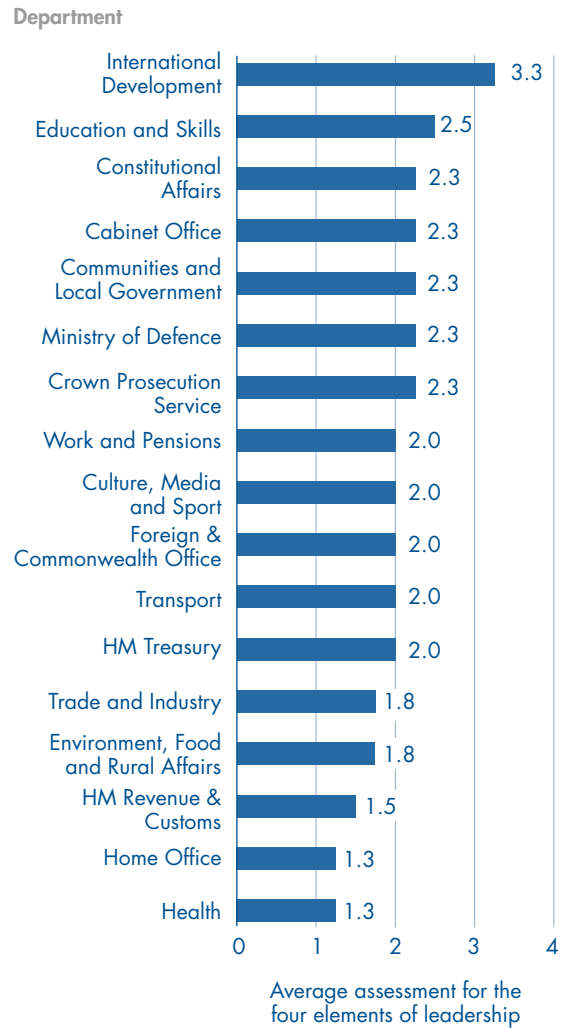


**8** Average assessment ratings for departments in first-round reviews completed between July 2006 and December 2007

**All elements of capability**



**Leadership**



Source: National Audit Office analysis of published reviews

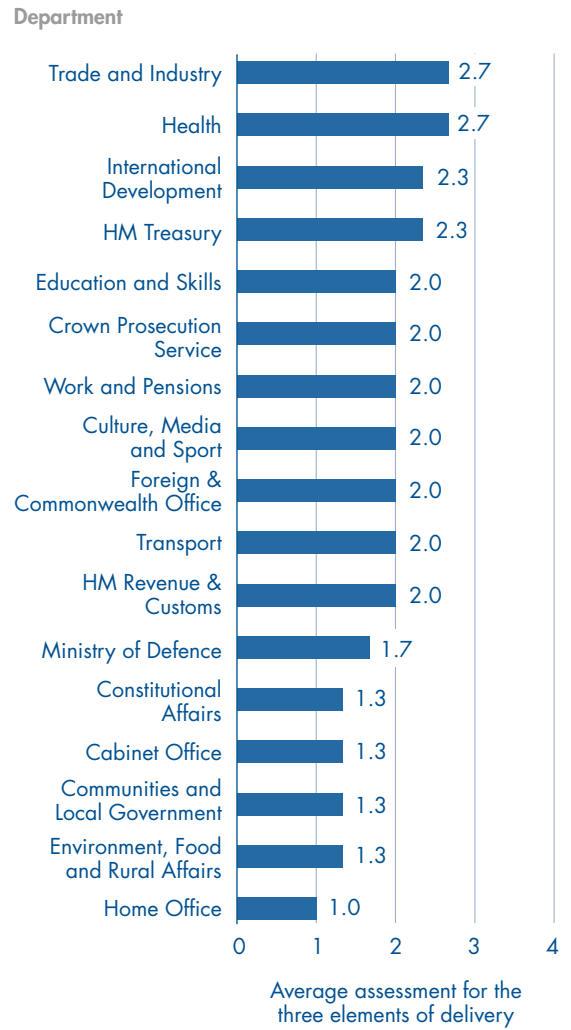
**NOTE**

Six departments (the Home Office, Department for Education and Skills, Department for Work and Pensions, Department of Trade and Industry, Cabinet Office, and Department for Communities and Local Government) or their successors have had second-round reviews since the results summarised here. The improvements shown by all six departments are set out in Figure 15 on pages 38-39. Average ratings are calculated through assigning, to each assessed element of capability, a numerical value of 4 for a 'strong', 3 for 'well placed', 2 for 'development area', 1 for 'urgent development area' and 0 for 'serious concerns' and then calculating the mean value.

**Strategy**



**Delivery**





## 9 Common capability challenges identified by the Cabinet Office

Challenge	Issues identified	Desired outcome
1. Leadership	i. Collective leadership	Boards acting as role models to exhibit an effective corporate culture of teamwork.
	ii. Challenge	Effective challenge on boards, including external challenge, to support them in their role of managing performance.
	iii. Leading change	Managing change effectively; in particular, boards driving through and sustaining change in the long term.
	iv. Building leadership	Engaging the wider senior civil service in the business of departmental leadership.
2. Effective delivery models	i. Departmental centres	Building a small and strategic 'core' that sets direction and adds value, with clear roles and responsibilities.
	ii. Supporting systems and processes	Developing clear systems and processes that operate throughout the delivery chain, including clear governance and accountabilities for delivering outcomes.
	iii. Managing through relationships	Managing through relationships, influencing and negotiation, as well as direct delivery.
	iv. Understanding the delivery model	Articulating the department's delivery model and communicating it throughout the department and to delivery agents, stakeholders and partners; ensuring current and future policy decisions are informed by an understanding of the delivery model.
3. Delivery and performance	i. Managing against priorities	Setting clear priorities and then managing them, taking tough decisions to stop programmes where necessary and allocating resources consistently to priority areas.
	ii. Effective performance management	Effective performance management driven by the board and embedded throughout the organisation and delivery chain.
	iii. Strategy to deliver	Turning the department's strategy into effectively realised delivery; consistently ensuring that delivery plans are aligned to meeting strategic objectives.
	iv. Getting the basics right	Consistent application of project management disciplines, from planning to benefits realisation; a culture of continuous improvement and sharing and embedding best practice.
4. Skills, capacity and capability	i. Better people management	Ensuring that people are managed effectively, poor performance is tackled rigorously and people at all levels are stretched, challenged and motivated to perform.
	ii. Better HR and other corporate services	Building more effective and professional corporate services in government departments so that they can contribute effectively to raising business performance.
	iii. Skills gaps	Understanding the skills required to deliver against tomorrow's challenges and systematically developing staff to meet them.

Source: *Capability Reviews Tranche 3: Findings and common themes* (Cabinet Office: March 2007), *Capability Reviews: Progress and Next Steps* (Cabinet Office: December 2007)

## How the Capability Review model and process could be improved

**1.16** In November 2007, the Sunningdale Institute at the National School of Government published an evaluation of the Capability Review programme, including an assessment of the model and review process.<sup>3</sup> It assessed the review model to be fit for the purpose of launching a reform process and the review process well-designed and well-executed. It found the quality and commitment of review-team members to have been generally high, with an appropriate level and depth of evidence reviewed. But it also identified limitations in the scope of the review model which were significant and would need to be addressed as the programme entered its second phase. Our work confirms these conclusions.

**1.17** The Cabinet Office developed the Capability Review model and process iteratively, without a long-term business plan. This reflected the experimental nature of the process and the need to achieve buy-in from departments. The Cabinet Office is working with the Civil Service Steering Board to develop a long-term position to avoid confusion and a loss of momentum. We found a mixture of views across departments about how the programme should develop: from continuation in the current format until all departments are fully capable; to a risk-based approach tackling areas of specific capability weakness; or a complete restructuring to focus on cross-government activity. Without a clear message about the future, there is the risk that departments may develop different approaches to assuring capability improvement or lose focus on capability.

**1.18** From our work, we have identified four areas where improvements could be made to the review model and process:

- linking capability to performance;
- addressing complex delivery arrangements;
- benchmarking beyond the civil service; and
- broadening the focus to staff and customers.

## Linking capability to performance

**1.19** Capability Reviews assess departments' capability to meet current and future delivery challenges. They consider how departments: 'plan, resource and prioritise' their delivery; 'develop clear roles, responsibilities and delivery model(s)'; and 'manage performance'. Since 1998, the Government has set out its highest priority outcomes in the form of Public Service Agreements (PSAs).<sup>4</sup> In **Figure 10 overleaf**, we compare departments' average Capability Review scores (out of four) for 'delivery' with the proportion of Spending Review 2004 (SR04) PSA outcomes they had met or were on track to meet in spring 2008. This shows a divergence between assessments of delivery capability and departments' delivery performance as measured by achievement of PSAs (Figure 10), with no linear correlation.<sup>5</sup> We found, for example, that while the Department for International Development received a relatively high delivery capability score in March 2007, it was on track, in April 2008, to meet only one of its six PSAs. Conversely, for the Crown Prosecution Service and the Home Office, we found delivery performance to be high relative to delivery capability scores.

**1.20** The relationship between capability and delivery performance is complex and difficult to measure. Various factors could contribute to the divergence between delivery capability assessments and PSA performance.

- PSAs might not require comparable levels of performance. They can have different degrees of stretch and are subject to different levels of impact from factors outside departments' control. For example, the PSAs in Figure 10 for the Department for International Development and for the Foreign & Commonwealth Office include targets on global poverty and HIV infection rates in Africa, reducing world trade barriers, deterring and rolling back weapons of mass destruction, and preventing and resolving international conflict. Only one of the Department for International Development's six PSAs was fully within its control and it was this PSA which it met.<sup>6</sup>
- Many of the PSAs considered in Figure 10 were shared, with a lead department's performance relying on collaboration with others to achieve outcomes. Since 2008, all PSAs under the Comprehensive Spending Review 2007 are cross-government.

<sup>3</sup> *Take-off or tail-off? An evaluation of the Capability Reviews programme* (Sunningdale Institute: 2007). This review was commissioned by the Civil Service Steering Board.

<sup>4</sup> Introduced in 1998, PSAs set out the key priorities for Government during each three-year Spending Review. They are intended to focus departments on delivering the outcomes that really matter to the public.

<sup>5</sup> The correlation between the variables 'delivery capability' at the first-round reviews and 'delivery performance' is  $-0.02$  which indicates there is close to no relationship between these two variables.

<sup>6</sup> To ensure that at least 90 per cent of its bilateral programme goes to low income countries and achieve a sustained increase in the index of its bilateral projects evaluated as successful.

- PSAs may not cover some important areas of a department's work. Since 2008, departments have had new Departmental Strategic Objectives which are intended to cover the entirety of a department's business.
- PSAs may be of varying weights. For example, the Ministry of Defence regards its PSA on achieving Ministers' objectives for operations and military tasks in which UK armed forces are involved as by far the most important of its SR2004 PSAs. It met this PSA despite deteriorating conditions in Iraq and the challenge of a simultaneous deployment in Afghanistan. It did so in the knowledge that as a consequence the target for peace time readiness was very unlikely to be met.
- Certain PSAs comprise multiple elements. The Department of Health reports its performance based on 14 elements, showing 7 as 'met', 'ahead' or 'on course', 3 as 'slippage', 3 as 'encouraging progress' and 1 as 'not assessed'. The Ministry of Defence reports its performance on the basis of 17 elements, showing 3 as 'met', 2 as 'not met' and 12 as 'partly met'. Our analysis follows Treasury guidance that "for a target to be judged as 'met' all sub-targets must also be met", which scores the Department of Health as on track for 4 of 8 PSAs and the Ministry of Defence as on track for 1 of 6 PSAs.

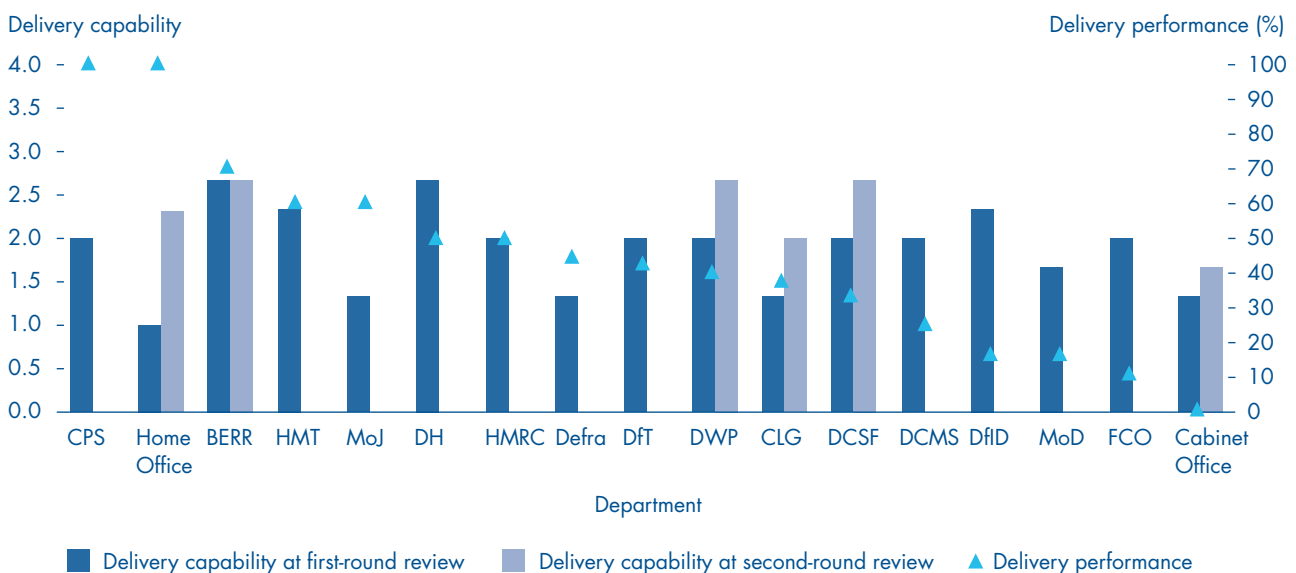
- Capability Reviews assess current and future delivery capability whereas PSAs are long-term outcome targets. It may take time to see the impact of improved capability on performance.
- Capability Reviews might not be focused on areas that impact on delivery performance.

### Addressing complex delivery chains

**1.21** Capability Reviews are focused on central government departments and do not cover executive agencies, executive Non-Departmental Public Bodies and others that deliver services and affect citizens' experiences. While Capability Reviews address departments' management of such bodies, they do not provide detailed assurance that delivery bodies themselves have the capacity to deliver.

**1.22** An ability to work across departmental boundaries is an implicit requirement of the 2007 Comprehensive Spending Review. Our census of change directors shows a mixed opinion of impact in this area: two-thirds believe Capability Reviews have helped to identify action to improve cross-department working while the other third do not. Stakeholders have differing opinions about whether future Capability Reviews should be targeted at cross-government programmes rather than individual departments.

## 10 Delivery capability scores and reported delivery performance



Source: National Audit Office analysis of Capability Review results and published Public Service Agreement performance

**NOTE**

Delivery capability is the average result for each department against the three delivery capability criteria when converted to a numeric 0–4 scale. Delivery performance is the percentage of SR04 PSA outcomes, which relate to 2005-06 to 2007-08, reported as 'on track' or 'met' in 2008 departmental reports. Some departments had PSAs with multiple elements. Where only some of the elements were delivered, we have assessed the PSA as not met.

**1.23** Comparison with local government is relevant.

The Audit Commission's Comprehensive Performance Assessment, along with assessments by other inspectorates, will be replaced by a joint inspectorate Comprehensive Area Assessment from 2009, holding all providers of local public services to account collectively for outcomes delivered together instead of focusing on the performance of individual local authorities. It has taken seven years for the assessment of local authorities to reach this stage of development and it is only now that the Audit Commission believes it can effectively address the challenges associated with this type of approach. Capability Reviews have been running for just over two years and still have scope to make significant progress on individual departments.

### Benchmarking beyond the civil service

**1.24** While departments differ in what they do, there are functions and capabilities which are common, for example business planning, performance management and board effectiveness. Capability Reviews do not benchmark departments' capabilities in these areas against similar organisations outside the civil service. Without such an external perspective, there is a risk of insufficient stretch. Implementation challenges, around the variety of public sector operating models and the complexity of the delivery targets, can be overcome by selecting appropriate capability areas where external benchmarks are relevant and comparable. External benchmarking can also help to maintain pressure for continuous improvement because comparisons against other organisations that are also striving to improve will sustain and increase pressure.

### Broadening the focus to staff and customers

**1.25** Capable organisations need committed and engaged staff and effective leadership at all levels, not just the top. The Capability Review model is ambiguous about the extent to which it covers the capabilities of middle managers and front-line staff.

**1.26** Capable organisations understand and respond to customer's needs. The Capability Review model does test to what extent departments do so, but the evidential base is mainly internal, comprising interviews with senior delivery staff in departments and evidence departments provide on their consultations with customers, for example stakeholder surveys. Review and stocktake teams do not consult service users directly to find out their views on departments' delivery of services.

# PART TWO

## Departments' responses to their Capability Reviews

**2.1** This part of the report examines departments' responses to their Capability Reviews. It looks at:

- departments' progress in implementing their response plans (paragraphs 2.2–2.10);
- the changes departments have made to address their areas for action (paragraphs 2.11–2.12); and
- the support departments have provided to each other and received from the centre of government (paragraphs 2.13–2.20).

### Departments' progress in implementing their response plans

**2.2** Departments are taking action in response to Capability Reviews, with buy-in from senior leadership teams, structures in place to manage and track responses, and general confidence about progress. This assessment is based on evidence from our case studies, our census and interviews with change directors and our review of papers from Cabinet Office progress stocktakes.

### Board and senior leadership team engagement

**2.3** In November 2007, the Sunningdale Institute assessed that only one or two departments had fully bought in to the Capability Review process, two or three were 'going through the motions' and the rest had 'bought in selectively'. Our survey of departments found that change directors considered that buy-in had improved. Three-quarters (13 departments) consider there is very good support and engagement by Permanent Secretaries and boards (**Figure 11**). The following factors encourage buy-in.

- **Permanent Secretaries have a personal interest in taking Capability Reviews seriously** through their accountability to the Cabinet Secretary as the overall head of the civil service and through their individual performance assessments.
- **Boards are involved, and the Cabinet Secretary holds challenge sessions with the board at each stocktake.** Every department has a board sponsor for the Capability Review response, and board minutes show Capability Reviews featuring prominently. In some departments, such as the Department of Health, the Permanent Secretary communicates progress regularly with staff and stakeholders.
- **The publication of Capability Reviews, as well as departments' responses and progress after 12 months, puts pressure on departments to respond positively.**
- **Departments respect and value review teams' experience and insights.** Capability Reviews often align with departments' own views but this external confirmation and the need to respond positively provide impetus and focus for action.
- **Departments believe the Capability Review programme adds value,** rating it in our survey as the most effective of five recent initiatives<sup>7</sup> in supporting learning, with 13 departments describing it as effective or highly effective. Change directors believe the programme is cost-effective, giving it an average of seven on a scale from 1 to 10. Three quarters think the Cabinet Office's stocktakes are appropriately targeted, although a quarter find them too time-consuming.

<sup>7</sup> The other initiatives were the Gershon Review, the Transformational Government agenda, cross-cutting Public Service Agreements and Professional Skills for Government.



**2.4** The evidence from our survey of change directors (Figure 11) and our focus groups in case study departments shows that support and engagement with actions being taken in response to Capability Review falls sharply at staff levels below the senior civil service. We also found, in our survey, that half of departments did not consult staff at levels below Grade 7 when developing the responses to their Capability Reviews. Many departments recognise the importance of engaging staff at all levels as they move forward with their response programmes, but are finding it a challenge. As a smaller department, the Department for Culture, Media and Sport found it easier to engage all staff from the start and considers that the Capability Review covers the whole department. Larger departments have needed greater efforts: for example, the Foreign & Commonwealth Office encourages staff to volunteer as change agents to help disseminate information and provide feedback.

### How departments have structured their responses

**2.5** Departments have structured their responses in different ways to meet their circumstances. Some departments have set up dedicated units to oversee implementation of their Capability Review responses, whereas in others it forms part of a broader change unit or corporate work. In four departments, the director responsible for change is a board-level Director General, assisted by a dedicated programme manager. In other departments, the change director is at senior civil service level reporting to a board member who leads the response to Capability Reviews. Six departments had change programmes in existence before their Capability Reviews, but found it easy to integrate the new actions.

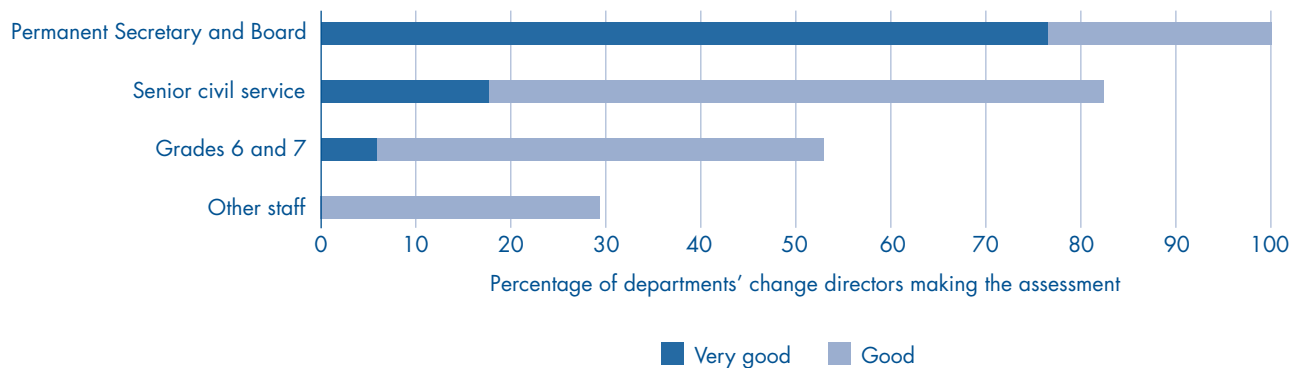
**2.6** All departments report progress to their boards and periodically review and update their plans. Typically, they report progress each month or quarter<sup>8</sup> and review plans and delivery risks at least quarterly. All departments communicate progress to staff, typically at least quarterly.

**2.7** Some departments have established working relationships with external reviewers outside the stocktake process:

- an external reviewer has helped the Department for Communities and Local Government develop tailored programme and project management training, with an underlying theme of ‘speak up and challenge’;
- staff from the Foreign & Commonwealth Office have visited the headquarters of an external review team member to help develop the business planning system; and
- in December 2006 the Department for Work and Pensions appointed one of its July 2006 external reviewers from the private sector to its board as a non-executive director, while another of its external reviewers has been an ally in taking forward the department’s work with local government.

**2.8** The Cabinet Office and departments are developing incentives and sanctions to promote action on Capability Reviews. The Cabinet Office put new arrangements in place in 2007-08 to assess the leadership capabilities of staff in the senior civil service for the first time. Our census found that 12 departments use incentives and sanctions to motivate senior staff to act on Capability Reviews, typically through aligning personal objectives.

**11** Change directors’ assessments of support and engagement by different groups with actions being taken in response to Capability Reviews



Source: National Audit Office census of change directors

8 In the Ministry of Defence, it is twice a year.

## Progress in responding

**2.9** Departments are confident about their progress in responding to Capability Reviews.

- **16 of the 17 departments are satisfied that they have the people and skills for implementation.** The exception is the Cabinet Office, which has shortages in project management skills.
- **Departments consider themselves to be ahead of schedule in some areas of their responses and behind in few areas.** They are most satisfied with progress in improving governance and senior leadership (10 departments) and delivery models and performance management (seven departments). Some departments are finding it difficult to change their cultures (four departments) and develop good performance measures of progress towards improved outcomes (four departments).

**2.10** Departments sometimes overestimate their achievements in self assessments at stocktakes, but the Cabinet Office assessments suggest that all have made progress. Our work supports this assessment, although much still remains to be done.

## The changes departments have made to address their areas for action

**2.11** **Figure 12** indicates some of the key changes departments have made to address their areas for action. Typical changes are:

- streamlining their boards and making board members' roles and responsibilities clearer (five departments);
- increasing the influence and challenge role of non-executive directors (nine departments), including appointing new non-executive directors with specific skills;
- changing how programmes and projects are planned and managed (14 departments);
- tackling issues around organisational culture (11 departments), including insularity, the need for staff to feel able to 'speak up and challenge', and diversity issues;

- training staff at all levels (eight departments) and coaching Permanent Secretaries and boards (13 departments);
- moving senior civil service staff to ensure that priority projects are led by those with the most appropriate skills (12 departments); and
- using dashboards and scorecards to report progress on key projects to the board.

## Actions taken in our case study departments

**2.12** **Figure 13 on page 32** sets out the 14 areas for action identified by the review teams in our three case study departments. It illustrates, from our wider work, some of the practical consequences of the weaknesses highlighted in Capability Reviews.

## The support departments have provided each other and received from the centre of government

**2.13** Departments have sought help from each other and from the centre of government<sup>9</sup> in responding to Capability Reviews, as set out below.

## Knowledge-sharing between departments

**2.14** Every department has worked with other departments to address common issues raised in Capability Reviews and to share learning. For example, the Crown Prosecution Service consulted the Department for International Development about change management and governance.

## Advice and assistance from the Cabinet Office and the National School of Government

**2.15** Change directors are not clear about what help and support is available from the Cabinet Office and National School of Government. This uncertainty is part of a wider confusion about the role and structure of the centre of government, highlighted by the Capability Reviews of the Cabinet Office and HM Treasury, and by the Chakrabarti Review.<sup>10</sup>

<sup>9</sup> By 'centre of government', we mean here the Cabinet Office, National School of Government and HM Treasury.

<sup>10</sup> A review commissioned by the Cabinet Secretary after the Cabinet Office's Capability Review to examine ways the Cabinet Office could be more effective in its interactions with departments and what principles and styles of working should guide what it does as a support department.

**2.16** The Cabinet Office plays a supporting role in the programme by:

- highlighting common challenges in its overview reports of Capability Reviews;
- giving advice at stocktakes;
- sponsoring a Forum for Change Directors; and
- establishing a Performance and Change unit outside the Capability Reviews unit in 2008 to disseminate good practice.

**2.17** There is scope for the Cabinet Office to focus its support better. Eleven departments consulted the Cabinet Office when developing their action plans and ten rated the help provided as very useful or fairly useful. However, seven departments found gaps in the Cabinet Office's ability to identify and communicate good practice while four wanted greater clarity on metrics. Some expressed

concern about high staff turnover in the Capability Reviews unit, which is staffed largely through attachments and secondments from other departments. There is a general desire for the Forum for Change Directors to focus more on developing practical solutions rather than discussing problems.

**2.18** The Cabinet Office's own December 2006 Capability Review set out four areas for action:

- to define more clearly how the Cabinet Office enables the business of government;
- to strengthen the Cabinet Secretary's capacity to lead transformation across government;
- to make a high-level vision come alive for every individual and unit within the Cabinet Office; and
- to create coherent systems so that the Cabinet Office can deliver.

## 12 Key areas of change in response to Capability Reviews

Department	New board or governance arrangements	New or additional training of staff	Movement of key senior civil service staff	Changes to programme and project planning and management
Business, Enterprise & Regulatory Reform	Yes	Yes	No	Yes
Cabinet Office	Yes	Yes	Yes	Yes
Children, Schools and Families	Yes	Yes	Yes	Yes
Communities and Local Government	Yes	Yes	Yes	Yes
Crown Prosecution Service	Yes	Yes	Yes	Yes
Culture, Media and Sport	Yes	Yes	Yes	Yes
Defence	Yes	Yes	No	n/a <sup>2</sup>
Environment, Food and Rural Affairs	Yes	Yes	Yes	Yes
Foreign & Commonwealth Office	No <sup>1</sup>	Yes	Yes	Yes
Health	Yes	Yes	Yes	n/a <sup>2</sup>
Home Office	Yes	Yes	Yes	Yes
International Development	Yes	Yes	No	Yes
Ministry of Justice	Yes	Yes	Yes	Yes
Revenue & Customs	Yes	Yes	Yes	Yes
Transport	Yes	Yes	Yes	Yes
Treasury <sup>3</sup>	No, but planned	No	No	n/a <sup>2</sup>
Work and Pensions	Yes	Yes	No <sup>4</sup>	Yes

Source: National Audit Office census and interviews of change directors

### NOTES

- 1 Changes had already been made while Capability Review fieldwork was underway.
- 2 Not considered needed by department, as not an area for action.
- 3 In the early stages of the response to its recent Capability Review.
- 4 The Permanent Secretary has taken account of Capability Review findings when selecting replacements for his Executive Team.

## 13 Case study departments' actions in response to Capability Reviews

### Home Office

#### Areas for action

- 1 Strengthen the board.
- 2 Improve leadership and empowerment of the 250 most senior staff.
- 3 Tackle the variety, appropriateness and complexity of delivery models and their impact on the delivery chain to improve operational grip and performance.
- 4 Strengthen corporate services and how they support the business.
- 5 Prioritise and allocate resources to what is important.

#### Key actions taken in response

- Board composition changed, including one new non-executive director, and agenda focused on priorities, strategy and risks, and sub-committees simplified.
- Board reviews performance reports and delivery plans each quarter.
- Introduction of leadership development programme and investment in skills training.
- New operating model and framework, with operating reviews for each business.
- New senior staff recruited to strengthen corporate functions, including finance, with more focus on performance management and new financial controls.
- Programme and project management skills training.
- New strategy developed and communicated to staff.

### Department for Environment, Food and Rural Affairs

#### Areas for action

- 1 Strengthen the leadership team.
- 2 Provide services based around customer needs.
- 3 Create true partnerships with delivery agents.
- 4 Manage individual and organisational performance.
- 5 Develop robust business processes and link staff allocations to priorities.

#### Key actions taken in response

- Changed over 80 per cent of board members and taken them through a leadership development programme.
- Introduced a flexible system to allocate staff where priorities dictate.
- Revised the policy development cycle, including stakeholder and customer consultation.
- Revised processes for corporate performance and financial management.
- Revised individual performance management process, with a new competency framework.
- Reviewed delivery arrangements.

### Foreign & Commonwealth Office

#### Areas for action

- 1 Clarify the contribution to UK overseas objectives, and determine implications.
- 2 Strengthen change management capability and communications.
- 3 Strengthen the strategic management of human resources and knowledge.
- 4 Strengthen business planning with better performance measures and resource allocation.

#### Key actions taken in response

- New Mission Statement and Strategic Framework, cutting slots in Europe and creating slots on policy priorities in Asia, the Middle East and elsewhere.
- Change projects pulled together into a High Level Change Plan, with timelines and dependencies.
- New board-level Director General for Change and Delivery supported by a Change Unit, change director, and Change Committee, and training.
- New professional Director for Human Resources and Strategic Workforce Plan.
- Senior Management Structure jobs opened to recruitment from across Whitehall.
- New business planning framework organises resources around 10 strategic priorities (subsequently 8 Departmental Strategic Objectives) and links geographical and country plans to these.

Source: National Audit Office analysis

**2.19** Our survey established that eight of the 17 departments sought help from the National School of Government (**Case example 1**) in implementing their action plans in response to their Capability Reviews. Three found the help useful or very useful while five found it not useful or of limited use because it was not sufficiently practical. Four of the departments that did not seek help from the National School said this was because they were not aware of what it could offer in this area and three said they were able to draw on the help they needed from their own networks or from consultants who offered a better price and more relevant expertise. The National School's Strategic Relationship Managers, who liaise with departments' human resources functions, do not have regular links with change directors. While its 2008-2009 training portfolio includes a page about Capability Reviews, the National School has not tailored specific courses around issues identified by Capability Reviews.

**2.20** The National School of Government told us that, in retrospect, the centre of government should have made available more resources, from the early stages of the Capability Review programme, for corporately-funded capability building. The centre had relied on departments to identify and access support to build their capability as they saw fit. The National School considers that this approach undervalued the significance of knowledge transfer through learning from beacons of good practice inside and outside of government and of peer-assisted improvement. The corporately-funded Improvement and Development Agency has facilitated such transfer in local government in response to Comprehensive Performance Assessments. But the National School is encouraged that, since its Sunningdale Institute evaluated the Capability Review programme in November 2007, the Cabinet Office has begun to build a stronger corporate support system, with which the National School works in partnership.

## CASE EXAMPLE 1

### How departments have used the National School of Government in responding to Capability Reviews

The National School of Government invested £50,000 in a learning network on effective business delivery models, an area assessed by Capability Reviews as a common capability gap. Twelve departments participated in this learning network, with a summary report made available on the National School's website in December 2007.

The National School has helped departments with specific issues raised by Capability Reviews, such as board effectiveness, departmental leadership and employee engagement.

The National School advised the Ministry of Justice on the role of learning consultants and contributed to their recruitment and development. The National School is assuring the new Justice Academy and assisting with a new evaluation strategy to enhance the link between learning and performance management. The National School also designed and delivered workshops to give senior managers a greater appreciation of the behaviours required to empower staff and to lead as well as manage.

The Home Office engaged the Sunningdale Institute, which is part of the National School of Government, to help it frame and implement changes to respond to the Capability Review.

*Source: National Audit Office interviews with the National School of Government and Sunningdale Institute*



# PART THREE

## The impact of Capability Reviews

**3.1** The Cabinet Office published the first-round of Capability Reviews between July 2006 and December 2007, so departments are at different positions in their responses (Appendix 4 and **Figure 14**). Inevitably, there will be a time lag before the changes departments make in response to their reviews translate into an impact on capabilities and delivery outcomes. However, some early evidence of improvements is available and in this part of the report we look at:

- the views of those leading change in departments (paragraph 3.2);
- the impact on our case study departments and on corporate capability (paragraphs 3.3–3.10);
- the Cabinet Office's second-round reviews and progress stocktakes (paragraphs 3.11–3.15); and
- stakeholder and staff views (paragraphs 3.16–3.17).

### The views of those leading change in departments

**3.2** Departments are unable to demonstrate yet whether the actions they have taken in response to Capability Reviews are affecting outcomes. We asked change directors for evidence that actions taken in response to Capability Reviews were improving delivery outcomes. A half (eight) responded positively, but most cited new or improved processes, and we found no evidence of improved delivery clearly linked to Capability Review responses. Departments found it difficult to separate the impact of Capability Reviews from other programmes and from events that also stimulate change, such as the arrival of a new Permanent Secretary or Secretary of State, external media criticism or an increase in budget.

### The impact on our case study departments and on corporate capability

**3.3** Below we set out the evidence of impact we have observed from our work in case study departments and our programme of interviews across departments.

#### The impact on case study departments

**3.4** The Cabinet Office progress stocktake assessments found that all three of our case study departments have taken action in response to their Capability Reviews. Our work supports this view.

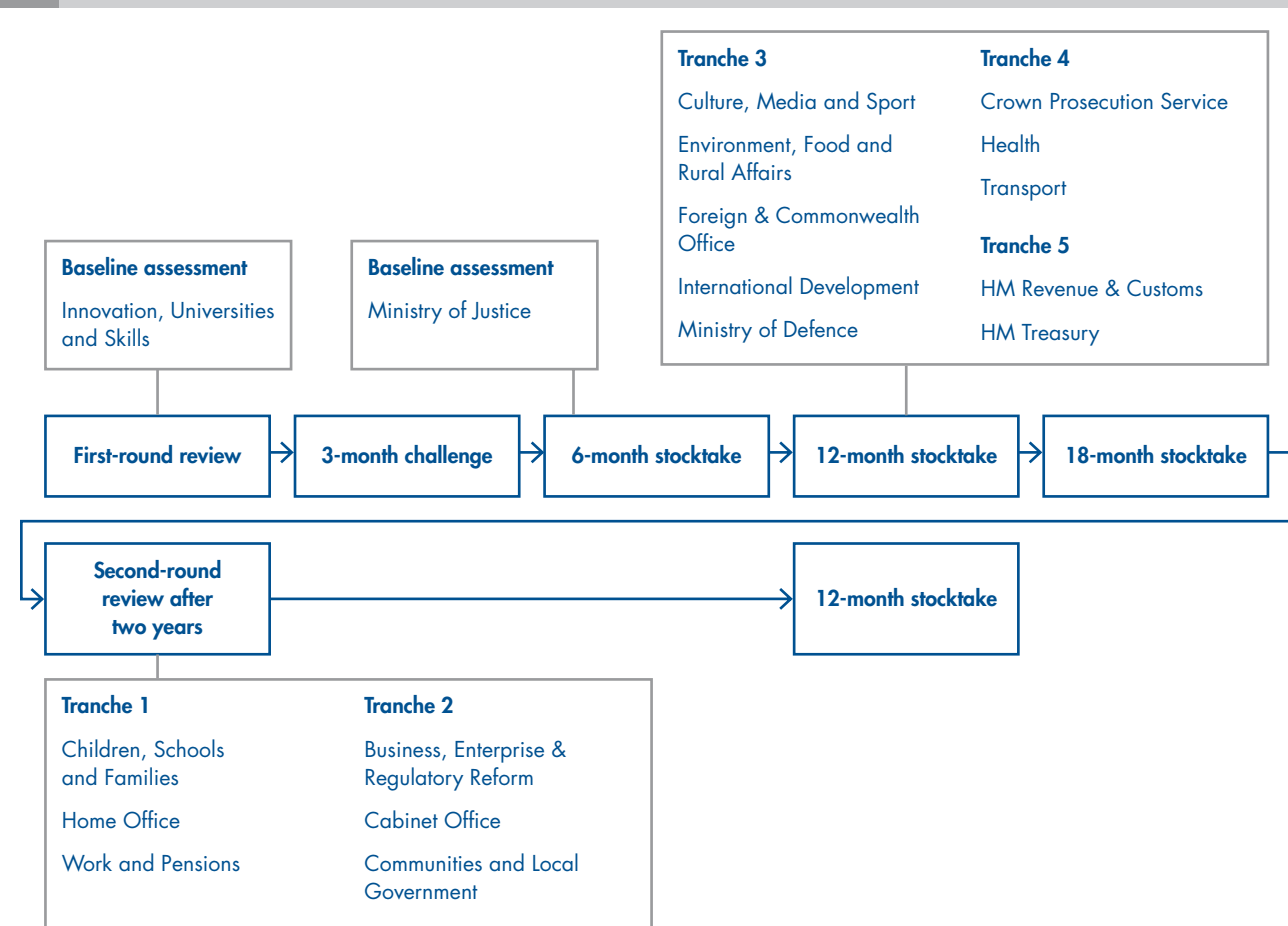
**3.5** Staff at the **Home Office** focus groups we attended were positive about the progress the department had made since its original Capability Review in 2006. They pointed to greater visibility of the board and senior leadership team and improved communication of the department's vision, but some of the general staff considered that more needed to be done to share best practice more extensively, tackle poor performance and improve line management. The Home Office has taken the opportunity presented by the move, in June 2007, of the National Offender Management Service to the Ministry of Justice to create a sharper sense of focus. The finance function has improved since systems broke down in 2004-05, enabling the Home Office to publish its 2007-08 accounts on time with an unqualified audit opinion.

**3.6** The **Department for Environment, Food and Rural Affairs** has made progress in addressing most of its areas for action and now needs to secure the benefits from the new processes it has introduced. Senior management believe the new flexible staff resourcing system has the potential to make the department far more responsive but staff in our focus groups were concerned that inconsistent implementation could undermine confidence. The department's April–May 2008 staff survey saw improved satisfaction scores for 20 of the 33 questions

asked, when compared to spring 2007. The greatest improvement was on the index of change management, covering communication and management of change, with positive responses up 14 per cent to 55 per cent. But, overall, staff ratings of the effectiveness of their board and senior civil servants remained negative. The department has been slow in making progress on its two externally-focused areas for action, to base services around customers' needs and create effective partnerships with delivery agents. The department's stakeholders consider, however, that it is listening to them more: up seven per cent to 37 per cent in the April 2008 stakeholder survey (compared to 2006). Our wider work provides evidence of improved financial management, with the 2007-08 accounts published on time and a balanced budget agreed for 2008-09.

**3.7** At the **Foreign & Commonwealth Office**, the Capability Review has given impetus to addressing weaknesses in managing change projects and to professionalising finance and human resource functions. More members of staff consider change is managed well: 36 per cent in November 2007 compared to 25 per cent in November 2006. Staff in our focus groups thought communication and coordination of change initiatives had improved, as had business planning to match resources to priorities better. Some management information is still hard to obtain. Staff feel more empowered to speak up and challenge and are taking a more professional approach to developing their skills. The depth and pace of change varies across overseas locations.

## 14 Departments' positions in the Capability Review cycle (as in January 2009)



Source: National Audit Office analysis of published documents

**3.8** Non-executive directors in all our case study departments identified several positive changes arising from the reviews, including departments becoming more willing to look to other departments and private organisations for examples of best practice. Board meetings had become more focused and strategic, involving non-executive directors better. The Foreign & Commonwealth Office consulted a non-executive director when developing its strategic workforce plan and the Home Office planned to engage a non-executive director with IT experience.

## The impact on corporate capability

**3.9** Capability Reviews have indicated gaps in the civil service's corporate and collaborative leadership, but have also been a catalyst for strengthening the civil service's corporate capability.

- Capability Reviews have created a shared interest in capability building, with departments agreeing to be assessed publicly against common criteria for the first time.
- The Cabinet Secretary is using Capability Reviews to hold Permanent Secretaries to account for their performance (**Case Example 2**). This impact is less forceful than in local government where Chief Executives with poor Comprehensive Performance Assessments are much more likely than others to lose their jobs.<sup>11</sup>
- Departments are identifying common challenges, and developing common solutions in some areas. The Cabinet Office has agreed with departments to introduce a common format and timing for staff surveys.
- Departments and senior civil servants are working more closely together, through the 'Top 200' group<sup>12</sup>, Forum for Change Directors, joint boards of departments with common interests, and through informal networks.

**3.10** Despite some improvement, there has not yet been the systematic movement of key staff with specific skills and a good track record in delivering change in areas such as shared services, IT, finance and human resources, to departments which face capability challenges in these areas. There is no incentive for departments to release their better staff to respond to priorities in other parts of government, so managed moves are difficult at Director and Director General level.

<sup>11</sup> *Tougher at the top?*, Audit Commission, July 2008.

<sup>12</sup> Top 200 was set up in 2006 as the corporate leadership group for the civil service. It comprises Permanent Secretaries and Directors General and meets every six months to share best practice and find solutions to cross-cutting issues.

<sup>13</sup> In the case of the fourth department in the first tranche – the Ministry of Justice – the Cabinet Office carried out a 'baseline assessment', which is equivalent to a first review. This was because the department's responsibilities had changed so much since 2006, when it was the Department for Constitutional Affairs, that a second-round review was not possible.

## The Cabinet Office's second-round reviews and progress stocktakes

**3.11** In July 2008 and December 2008, the Cabinet Office reported the outcome of its second-round reviews of six departments from the first and second tranches of reviews<sup>13</sup> and all received improved ratings against the Cabinet Office criteria (**Figure 15 on pages 38-39**), with the Home Office showing most progress. The Cabinet Office sought comparability with first-round Capability Reviews by using the same 10 capability elements and including a member from the original review team in every case.

**3.12** The changes these departments had made since 2006 led the reviews to conclude that serious capability weaknesses had been eliminated: none now had an element of capability assessed as a 'serious concern' and only one of these six departments had one element assessed as an 'urgent development area'.

- The **Home Office** moved up two assessment categories in four elements of capability, and up one category in three elements, raising its overall capability score from 1.4 in July 2006 to 2.5.
- The **Department for Children, Schools and Families** moved up one assessment category in six elements of capability, and down one category in one element, raising its overall capability score from the 2.4 achieved by the Department for Education and Skills in July 2006 to 2.9. Created by the machinery of government changes in June 2007, it has a wider remit than its predecessor and it considers this to be a major contributing factor to its lower assessment under 'build common purpose'.
- The **Department for Work and Pensions** moved up two assessment categories in one element of capability, and up one category in four elements, raising its overall capability score from 2.3 in July 2006 to 2.9.
- The **Department for Business, Enterprise & Regulatory Reform** moved up two assessment categories in one element of capability, up one category in four elements, and down one category in one element, raising its overall capability score from 2.2 in December 2006, when it was the Department of Trade and Industry, to 2.7, making progress during a period when it was subject to two major Machinery of Government changes.

- The **Cabinet Office** moved up two assessment categories in one element, up one category in four elements, and down one category in two elements, raising its overall capability score from 2.0 in December 2006 to 2.4.
- The **Department for Communities and Local Government** moved up one assessment category in five elements and down one category in one element, raising its overall capability score from 1.9 in December 2006 to 2.3.
- Five of the six departments received higher assessments in the leadership elements of ‘taking responsibility for leading delivery and change’ and ‘build capability’, and in four of the departments there were improved assessments for the delivery elements of ‘plan, resource and prioritise’ and ‘manage performance’. The review teams found significant improvements in the visibility, strength and cohesion of the board and executive teams, business planning and financial reporting, and stakeholder feedback.

**3.13** The Cabinet Office’s stocktakes show all the other departments making progress in addressing the areas for action in their Capability Reviews. In Figure 4 (on page 9), we set out our grouping of these assessments. However, it is difficult to rank departments’ progress because the Cabinet Office’s assurance teams use different descriptive terminologies and do not quantify or use traffic-light ratings.

**3.14** The Cabinet Office teams found most progress in board and senior executive team visibility and leadership and in performance management. While some departments had strengthened their human resources function, many faced challenges in developing their strategic people management and in changing their working cultures to make them less insular and hierarchical.

**3.15** The Cabinet Office stocktake teams arrive at their assessments on the basis of metrics and other information supplied by each department, including the department’s own assessment of progress, followed by interviews with the department’s leaders to challenge the information supplied, and focus groups discussions among senior civil service and other staff.

## CASE EXAMPLE 2

### Capability Reviews influence Permanent Secretaries’ objectives and pay awards

#### Objectives

Permanent Secretaries agree objectives annually with Ministers and the Cabinet Secretary. Objectives cover capability as well as business delivery in the department, corporate activities across the wider civil service, and each Permanent Secretary’s own personal development. Capability objectives focus on the Permanent Secretary’s role in leading and driving change, and in ensuring that the department has the right capability to deliver its business. They also address issues identified by Capability Reviews, focusing on areas for improvement. Permanent Secretaries decide, with the Cabinet Secretary, relative priorities and the weight of effort to be given to individual objectives and groups of objectives to reflect the challenge of each job. Guidance issued to Permanent Secretaries suggests that 20 per cent of their time might be weighted towards tackling capability issues, but it invites them to propose whatever they think is appropriate for each department’s circumstances. In practice, most Permanent Secretaries allocate the suggested 20 per cent weighting to capability objectives.

These weightings inform the Permanent Secretary Remuneration Committee in making performance pay recommendations at the end of the appraisal year.

#### Pay awards

Permanent Secretaries’ pay is determined by the Prime Minister on the advice of the Permanent Secretary Remuneration Committee, which in turn is informed by the Cabinet Secretary’s recommendations. There are two components to the pay awards. The base pay element of the award reflects job weight: a standard 2.5 per cent was awarded in 2008. The variable pay award is the non-consolidated performance-related element related to delivery against objectives. Variable pay awarded in 2008 ranged from zero to 13.1 per cent of the previous year’s salary. Information that the Committee takes into account in recommending the performance-related pay award for each Permanent Secretary includes progress against Capability Review recommendations, alongside business delivery and wider corporate achievements, and comments from Ministers and board members.

*Source: National Audit Office analysis of interview evidence and documents including ‘Permanent Secretaries Performance Management and Reward Guidance 2007-08 and 2008-09’, Cabinet Office*

# 15 Improved scores in second-round Capability Reviews

## Leadership (L)

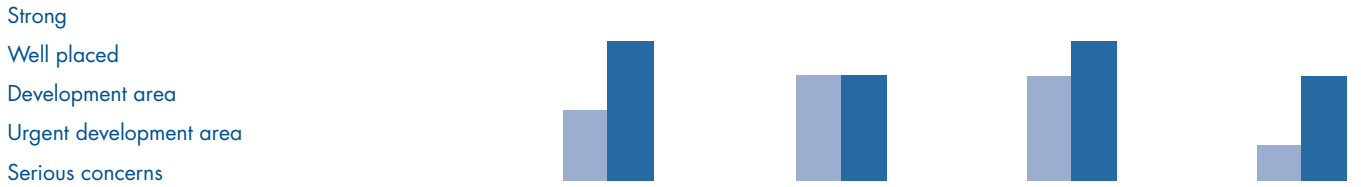
L1: Set direction

L2: Ignite passion, pace and drive

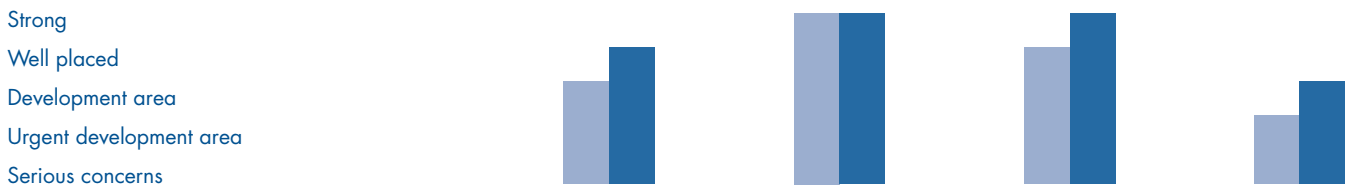
L3: Take responsibility for leading delivery and change

L4: Build capability

### Home Office<sup>1</sup>



### Department for Children, Schools and Families<sup>1,3</sup>



### Department for Work and Pensions<sup>1</sup>



### Department for Business, Enterprise & Regulatory Reform<sup>2,3</sup>



### Cabinet Office<sup>2</sup>



### Department for Communities and Local Government<sup>2</sup>



■ First-round review   ■ Second-round review

Source: Capability Review reports

#### NOTES

1 Published July 2008.

2 Published December 2008.

3 The chart compares results for the Department for Children, Schools and Families with first-round results from the Department for Education and Skills, and results for the Department for Business, Enterprise & Regulatory Reform with first-round results from the Department of Trade and Industry.





## Stakeholder and staff views

**3.16** The two key metrics departments use to monitor the impact of actions taken in response to their Capability Reviews are staff and stakeholder surveys, which departments now carry out more frequently. There is inconsistency across departments in the format, timing and questions asked in these surveys, particularly the stakeholder surveys. They also have intrinsic limitations in that factors other than capability can influence responses, for example pay disputes, headcount reductions and media coverage of the departments. Subject to these points, our analysis of staff survey responses demonstrates improving levels of staff confidence in their department's management, board and senior leadership teams (**Figure 16**) and some evidence of progress in stakeholders' perceptions of departments (**Figure 17**). Some improvements have been dramatic: the proportion of staff considering Communities and Local Government to be well managed doubled from 20 per cent to 40 per cent over three survey waves

in 2007. Our meetings with focus groups in our case study departments support this staff survey evidence. Nevertheless, in most of these departments, the positive ratings for staff views on how well the department is managed remained low. For example, 18 per cent of staff in the Department for Environment, Food and Rural Affairs agreed that the department was well managed, while 41 per cent disagreed.

**3.17** Beyond surveys, there is little consistency in the type and quality of indicators selected by departments to measure progress. This can, in part, be explained by the different aspects of capability on which departments are focusing. Our interviews and survey show that departments are struggling to develop effective indicators to measure their capability, especially in the areas of leadership, strategy and staff skills. The Cabinet Office has so far been unable to provide effective guidance and assistance despite having made the development of metrics a requirement of the Capability Review process.

### 16 Trends in staff survey scores on selected capability related statements

Statement	Percentage who agree or strongly agree with the statement						
	Tranche 2			Tranche 3			
	BERR	Cabinet Office	CLG	DCMS	Defra	DFID	FCO
	%	%	%	%	%	%	%
The department as a whole is well managed	Up from 29 to 39	Up from 28 to 41	Up from 20 to 40	Up from 36 to 40	Up from 14 to 18	Up from 63 to 64	Up from 28 to 38
Overall, I have confidence in the senior managers in my department	Up from 32 to 44	Question not asked	Up from 48 to 50	Up from 42 to 47	Question not asked	Up from 64 to 65	Up from 40 to 53

Source: Departments' staff surveys

#### NOTE

The trends are between the survey closest to the date of the first-round Capability Review and the most recent survey which had been carried out by summer 2008.

### 17 Stakeholders' perceptions of Tranche 2 departments

Department	Statement <sup>1</sup>	Result
Business, Enterprise & Regulatory Reform	Would speak highly of the department	Up from 42% to 55% <sup>2</sup>
Cabinet Office	The department's effectiveness has got better/got worse in the past three years	Got better: 27% Got worse: 10% <sup>3</sup>
Communities and Local Government	Are more or less satisfied regarding your engagement with the department this year compared with last year	More = 4 Less = 2 Same = 2 <sup>4</sup>

Source: Departments' stakeholders surveys

#### NOTES

- Departments did not ask common statements and questions in these surveys. The statements set out here are those most relevant to capability.
- 176 telephone interviews of intermediaries and businesses in November 2007: results compared with 2006 survey.
- August–October 2007 census of 132 top civil servants from across Whitehall.
- December 2007 – January 2008 telephone interviews of 18 stakeholders.

# APPENDIX ONE

## Study methodology

### Scope of the study

**1** The aim of our study was to examine how departments have responded to their Capability Reviews, looking at:

- the Capability Review process and underlying assessment model;
- what departments have done in response to the results of their Capability Reviews and the help they have received from the centre of government; and
- the impact of their actions, including on service delivery.

**2** We examined the Capability Reviews and Cabinet Office stocktakes up to December 2008 for the first-round reviews. These cover 17 government departments. We also report the results of the July and December 2008 second-round reviews. The report does not extend to the devolved administrations.

### Fieldwork methods

**3** We carried out our fieldwork between April 2008 and August 2008, using the following methods:

- a census of departments' change directors, followed by structured interviews;
- an in-depth examination of three case study departments;
- an extensive document review;
- financial analysis;
- international comparisons;
- other interviews with the Cabinet Office and stakeholders; and
- an expert panel.

### Census and interviews of change directors

**4** We asked change directors in the 17 departments that had first-round Capability Reviews to complete a census capturing details of how departments have responded and the impact of actions taken. All 17 departments completed this survey. The census comprised 48 questions organised around nine themes:

- development of the post-review plan;
- staff and stakeholder engagement;
- monitoring and reporting arrangements;
- skills and resources needed to implement the plan;
- help from outside;
- Cabinet Office assurance work;
- delivery of the plan;
- impact of actions taken; and
- costs and benefits of the review process.

**5** In each case, we followed up with a structured two hour interview with the change director to discuss the census response and probe additional issues. We also interviewed the change director at the Department for Innovation, Universities and Skills, on which a Capability Review baseline assessment was published in December 2008.

## Examination of case study departments

**6** We examined in depth the responses to reviews in three departments: the Home Office, which had been in the first tranche of reviews and had its second-round review in July 2008; and the Department for Environment, Food and Rural Affairs and the Foreign & Commonwealth Office, from the third tranche of reviews and which underwent 12 month Cabinet Office stocktakes in April-May 2008. All three had had some time to respond to their Capability Reviews.

**7** We carried out the census and change director interview as for other departments. In addition, we held semi-structured interviews with the Permanent Secretary, the board members or most senior staff responsible for finance, human resources and communications, and board members responsible for leading key strands of the Capability Review responses. We interviewed one non-executive director and one external review team member for each department.

**8** In addition, we held or attended staff focus group discussions. The departments recruited the focus group members.

- At the **Home Office**, we observed four focus group discussions organised for the Cabinet Office's second-round review.
- At the **Foreign & Commonwealth Office**, we held two focus group discussions among senior staff. The first comprised seven members responsible for delivering change and included the themes of communicating change, achieving staff buy-in, barriers faced, the impact of changes and help from the Centre. The second comprised five members of staff affected by change and covered their understanding of the Capability Review and change programme, how it is being delivered, what has changed and the impact.
- At the **Department for Environment, Food and Rural Affairs**, we held a focus group of senior staff who delivered change and who were affected by it. We explored the same themes as at the Foreign & Commonwealth Office. We also attended two focus groups organised by the Cabinet Office for the 12 month stocktake.

## Document review

**9** For each of the 17 departments, we carried out a systematic review and analysis of the:

- findings from the original Capability Reviews and the start of the second-round;
- the department's response, including the original and latest implementation plans;
- Cabinet Office papers from the stocktakes;
- the department's self assessments and the Cabinet Office team's assurance opinions;
- staff and stakeholder surveys for the departments; and
- Public Service Agreement performance results.

**10** We reviewed and analysed the Cabinet Office's overview reports of Capability Reviews, the Chakrabarti review of the Cabinet Office and the Sunningdale Institute report of the first-round of reviews. In the case study departments, we examined additional material from the six and 12 month stocktakes, including the departments' plans on areas for action.

## Financial analysis

**11** We analysed financial information provided by the Cabinet Office and departments to establish the cost of Capability Reviews. The Cabinet Office data did not differentiate between review rounds and development, review, assurance and support elements so we modelled activities over the period 2005-06 to 2010-11 to arrive at estimates. We adjusted data to express results in 2007-08 prices.

## International comparisons

**12** We contacted State Audit Institutions in 30 countries in the Organisation for Economic Co-operation and Development to collect information on review programmes which had similar aims to Capability Reviews. We met a delegation from the Canadian government to learn about the Management Accountability Framework assessments, which have some similarities to Capability Reviews.

**13** We commissioned Accenture to benchmark the UK civil service against comparable countries. Their report is published as a separate document.

## Other interviews

**14** We conducted semi-structured interviews with staff in the Cabinet Office's Civil Service Capability Group, including the Director of the Capability Reviews unit, the manager of the Performance and Permanent Secretary Appraisal team, the Director of the Performance and Change unit, the Director of the Governance and Stakeholders unit, the designers of the Capability Review programme, the deputy heads of the Leadership and Talent unit and the staff who carry out assurance work and liaise with departments.

**15** We interviewed staff from the National School of Government, the Prime Minister's Delivery Unit and HM Treasury. We discussed the Comprehensive Performance Assessment and Comprehensive Area Assessment with the Audit Commission.

## Expert panel

**16** We obtained advice on our early findings from a small group of experts:

- Professor George Boyne, Cardiff Business School;
- Professor Sue Richards, National School of Government; and
- Professor Colin Talbot, Manchester Business School.



# APPENDIX TWO

## The Capability Review model

**1** The Capability Review model focuses on the capability of departments' senior leadership in three key areas: leadership; strategy; and delivery. The review teams make judgements against 10 elements (Figure 1 on page 5), using an underlying group of test questions (see box below and on facing page).

**2** The review team examines documents and surveys produced by the department and carries out challenge workshops and interviews with (mainly senior) staff, the delivery chain and stakeholders. The bulk of the fieldwork is concentrated in a two week period. The review teams use five assessment categories (Figure 1 on page 5).

### The key questions review teams use to test capability

#### 1. Leadership

##### L1 Set direction

- Do you have a clear, compelling and coherent vision for the future?
- How do you take tough decisions, and do you follow them through?
- How do you generate common ownership of the vision with your political leadership, the board, the organisation and delivery partners?
- How do you keep the vision up to date, seizing opportunities when circumstances change?

##### L2 Ignite passion, pace and drive

- Are you visible, outward-looking role-models, communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders?
- Do you display integrity, confidence and self-awareness in your engagement with staff and stakeholders, actively encouraging, listening to and acting on feedback?
- Do you display passion about achieving ambitious results for customers, focusing on impact, celebrating achievement and challenging the organisation to improve?
- How do you create and sustain a unifying culture and set of values/behaviours which promote energy, enthusiasm and pride in the organisation and its vision?

#### L3 Take responsibility for leading delivery and change

- How do you role-model an effective corporate culture of teamwork at board level, including making effective use of non-executive directors?
- Do you and the senior leadership team accept the pressing need for change, demonstrate your personal commitment to it and act as an effective guiding coalition?
- How do you initiate and drive work across boundaries to achieve delivery outcomes?
- How do you manage change effectively, addressing and overcoming resistance when it occurs?

#### L4 Build capability

- How do you identify and nurture talent and grow experience in individuals and teams?
- Do you have the right skills across the organisation to deliver the vision? Do you have a workforce development strategy to get the best from everyone and plan effectively for succession in key posts?
- How do you manage the performance of everyone transparently and consistently, rewarding good performance and tackling poor performance? Are everyone's performance objectives aligned with the strategic objectives of the organisation?
- Do you reflect the diversity of the customers you serve?

## 2. Strategy

### S1 Focus on outcomes

- Do you have a clear, coherent and achievable strategy with a single, overarching set of challenging outcomes, aims, objectives and success measures?
- Is your strategy clear what success looks like and focused on improving the overall quality of life for customers and benefiting the nation?
- How do you negotiate trade-offs between 'priority' outcomes?
- How do you work with your political leadership to develop your strategy?

### S2 Base choices on evidence

- How do you understand and respond to what your customers want?
- How do you identify future trends, plan for them and choose between the range of options available?
- How do you ensure that your decisions are informed by sound evidence and analysis?
- How do you cultivate innovative solutions to existing and new problems?

### S3 Build common purpose

- How do you engage, align and enthuse partners in the delivery chain to work together as a team to deliver the strategy?
- How do you remove obstacles to effective joint working?
- How do you work with partners when developing strategy?

## 3. Delivery

### D1 Plan, resource and prioritise

- Do your business planning processes effectively prioritise and sequence deliverables to deliver your strategic outcomes?
- Are your delivery plans robust, consistent and aligned with the strategy? Taken together, will they effectively deliver all of your strategic outcomes?
- How do you maintain effective control of the organisation's resources? Do your delivery plans include key drivers of cost, with financial implications clearly considered and suitable levels of financial flexibility within the organisation?
- Are your delivery plans regularly reviewed?

### D2 Develop clear roles, responsibilities and delivery model(s)

- Is the purpose of the centre/headquarters functions clear?
- How do you identify and agree roles, responsibilities and accountabilities for delivering your strategic outcomes across the delivery chain? Are these understood and supported by appropriate rewards and incentives, and governance arrangements?
- Do you have clear and well understood delivery models which will deliver your strategic outcomes?
- How do you work with partners to build capability in the delivery chain?

### D3 Manage performance

- Do you take personal responsibility for driving performance and striving for excellence across the organisation in pursuit of your strategic outcomes?
- Do you have high-quality, timely and well-understood performance information, supported by analytical capability, which allows you to track performance across the delivery chain? Is performance information aligned with the strategic objectives of the organisation?
- How effectively are programmes and risk managed across the delivery chain?
- How do you realise and recycle benefits from programmes?
- How do you use financial information to drive greater efficiency and value for money?

Source: Capability Review reports

# APPENDIX THREE

## Costs of the Capability Reviews

### Costs to the Cabinet Office

**1** We have estimated the amounts spent and budgeted by the Cabinet Office on departmental Capability Reviews on the basis of information supplied by the Cabinet Office and after making the following adjustments.

- All costs have been based in 2007-08 prices and rounded to the nearest £0.1 million.
- We have included the monetary value of staff loaned to the Cabinet Office by other departments.
- We have made deductions for work by team members on other projects.
- We have estimated the cost of support to departments provided by the review and assurance teams in 2006-07 and 2007-08. Continuing support is provided by a separate team with its own budget in subsequent years.

■ We have apportioned the overall figures provided by the Cabinet Office to the different rounds of Capability Reviews, based on the timing of review and stocktake assurance activities.

**2** **Figure 18** summarise our estimates. The two main elements in this expenditure are staff costs and fees paid to members of review teams.

**3** The £5.5 million total for first-round reviews and stocktake assurance is equivalent to an average cost of £324,000 for each of the 17 departments covered. The £4.3 million total for second-round reviews and stocktake assurance is equivalent to £226,000 for each of the 19 departments covered.

**18** Actual and budgeted Cabinet Office costs for the Capability Reviews

Year	Costs (£ million) in 2007-08 prices						Annual total	Cumulative total
	Development	Review and stocktake assurance				Supporting departments		
		First round	Second round	Later rounds	All rounds			
2005-06	0.9						0.9	0.9
2006-07		2.7			2.7	0.2	2.9	3.8
2007-08		2.4	0.2		2.6	0.2	2.8	6.6
2008-09		0.4	1.7		2.1	0.8	2.9	9.5
2009-10			2.0		2.0	0.8	2.8	12.3
2010-11			0.4	1.3	1.7	0.8	2.5	14.8
<b>Total</b>	<b>0.9</b>	<b>5.5</b>	<b>4.3</b>	<b>1.3</b>	<b>11.1</b>	<b>2.8</b>	<b>14.8</b>	

Source: National Audit Office analysis of Cabinet Office figures

## Costs to departments

### Fees paid to the Cabinet Office

4 The Cabinet Office charged each department a flat fee of £250,000 for the first reviews. It received £3.3 million (in 2007-08 prices). This was equivalent to only £195,000 per department because:

- for two departments, the Cabinet Office and the Department for Constitutional Affairs (now the Ministry of Justice), the pilot department, it waived the fee; and
- for eight departments it reduced the fee in return for staff loaned to the Cabinet Office.

5 The Cabinet Office is charging departments £150,000 for each second-round review which includes the subsequent assurance process. This funds the cost of the core Capability Review Team involved in reviews and assurance activities, but excludes overheads and the cost of supporting departments.

### Departments' additional spending on the initial review

6 We asked departments, in our census survey and interviews with change directors, to estimate their additional spending on the initial review, drawing upon their best available information. Thirteen departments provided a response (Figure 19). Two said there were no additional costs, while 11 departments assessed the costs as shown in Figure 19. Staff costs were the main elements of cost.

7 It is apparent, from the broad range in costs given and from our interviews with change directors, that departments do not specifically record and monitor their expenditure in this area. The estimates in Figure 19, ranging from zero to over £400,000, suggest that some departments devote more resources to preparing for and servicing reviews than others, but departments also differed as to which costs they considered relevant to include in their estimates. For example, only one of the estimates in Figure 19 includes the 'opportunity costs' of the time of the staff, board and senior staff taken up in meetings with the review teams, which this department estimated to be £140,000.

## Departments' spending on implementing action plans

8 We asked departments to estimate their expected spending, in the two years to their second-round review, on implementing their post-Capability Review action plans.

9 Most (10) departments were unable to respond because they could not separate out action plan costs from their wider change and improvement programmes. Seven departments did provide estimates. They ranged widely from £100,000 to £6 million without any rationale beyond differences in what elements of costs each department considered it relevant to include. There was total expected spending for these seven departments of £11.7 million plus £16 million on key related programmes. The main element of expected cost is on staff, but with consultancy expenditure significant in some departments. These costs excluded the 'opportunity costs' of staff and board time taken up with the stocktakes. One department estimated this at £50,000.

### 19 Departments' estimates of their expenditure on their Capability Review which was additional to the fee they paid to the Cabinet Office

Amount	Number of departments
£250,000–£500,000	3
£100,000–<£250,000	2
£50,000–<£100,000	3
£20,000–<£50,000	1
£10,000–<£20,000	2
<£10,000	2

Source: National Audit Office census of change directors

# APPENDIX FOUR

## Assessment scores for the first-round of Capability Reviews

	Report date	Leadership			
		Set direction	Ignite passion, pace and drive	Take responsibility for leading delivery and change	Build capability
<b>Tranche 1</b>					
Department for Education and Skills	July 2006	2	4	3	1
Department for Work and Pensions	July 2006	2	3	2	1
Home Office	July 2006	1	2	2	0
Department for Constitutional Affairs	July 2006	3	2	1	3
<b>Tranche 2</b>					
Cabinet Office	December 2006	3	3	2	1
Communities and Local Government	December 2006	3	3	2	1
Department of Trade and Industry	December 2006	2	2	1	2
<b>Tranche 3</b>					
Department for Culture, Media and Sport	March 2007	3	2	1	2
Department for Environment, Food and Rural Affairs	March 2007	3	1	1	2
Department for International Development	March 2007	4	4	3	2
Foreign & Commonwealth Office	March 2007	1	3	2	2
Ministry of Defence	March 2007	1	3	3	2
<b>Tranche 4</b>					
Crown Prosecution Service	June 2007	4	2	2	1
Department for Transport	June 2007	3	2	1	2
Department of Health	June 2007	0	1	2	2
<b>Tranche 5</b>					
HM Treasury	December 2007	3	2	2	1
HM Revenue & Customs	December 2007	1	1	2	2
<b>Average score</b>		<b>2.3</b>	<b>2.4</b>	<b>1.9</b>	<b>1.6</b>
<b>Baseline assessment</b>					
Ministry of Justice	April 2008	3	3	2	2
Department for Innovation, Universities and Skills	December 2008	3	3	1	2

Serious concerns  
 Urgent development area  
 Development area  
 Well placed  
 Strong

Source: National Audit Office analysis of the Cabinet Office's Capability Review reports

### NOTE

Six departments (the Home Office, Department for Education and Skills, Department for Work and Pensions, Department of Trade and Industry, Cabinet Office, and Department for Communities and Local Government) or their successors have had second-round reviews since the results summarised here. The improvements shown by all six departments are set out in Figure 15 on pages 38-39.



Focus on outcomes	Strategy		Delivery			Average leadership	Average strategy	Average delivery	Average overall
	Base choices on evidence	Build common purpose	Plan, resource and prioritise	Develop clear roles, responsibilities and delivery mode(s)	Manage performance				
● 2	● 3	● 3	● 2	● 2	● 2	2.5	2.7	2.0	2.4
● 2	● 4	● 3	● 1	● 3	● 2	2.0	3.0	2.0	2.3
● 2	● 2	● 2	● 0	● 1	● 2	1.3	2.0	1.0	1.4
● 4	● 3	● 3	● 1	● 1	● 2	2.3	3.3	1.3	2.3
● 3	● 2	● 2	● 1	● 1	● 2	2.3	2.3	1.3	2.0
● 3	● 1	● 2	● 2	● 1	● 1	2.3	2.0	1.3	1.9
● 1	● 3	● 3	● 3	● 2	● 3	1.8	2.3	2.7	2.2
● 1	● 2	● 2	● 3	● 1	● 2	2.0	1.7	2.0	1.9
● 3	● 3	● 2	● 1	● 2	● 1	1.8	2.7	1.3	1.9
● 3	● 3	● 1	● 1	● 3	● 3	3.3	2.3	2.3	2.7
● 2	● 3	● 3	● 1	● 2	● 3	2.0	2.7	2.0	2.2
● 4	● 3	● 2	● 2	● 1	● 2	2.3	3.0	1.7	2.3
● 2	● 3	● 2	● 3	● 1	● 2	2.3	2.3	2.0	2.2
● 3	● 4	● 2	● 3	● 1	● 2	2.0	3.0	2.0	2.3
● 1	● 1	● 2	● 3	● 2	● 3	1.3	1.3	2.7	1.7
● 3	● 4	● 1	● 3	● 2	● 2	2.0	2.7	2.3	2.3
● 2	● 1	● 3	● 3	● 1	● 2	1.5	2.0	2.0	1.8
<b>2.4</b>	<b>2.6</b>	<b>2.2</b>	<b>1.9</b>	<b>1.6</b>	<b>2.1</b>	<b>2.0</b>	<b>2.4</b>	<b>1.9</b>	<b>2.1</b>
● 1	● 2	● 2	● 1	● 1	● 2	2.5	1.7	1.3	1.9
● 1	● 2	● 3	● 2	● 2	● 2	2.3	2.0	2.0	2.1

# APPENDIX FIVE

## Analysis of comparable organisational assessment approaches

### 20 Organisational assessment approaches with similarities to Capability Reviews

	<b>Canada</b>	<b>USA</b>
<b>Country</b>	<b>Canada</b>	<b>USA</b>
<b>Name of the programme</b>	Management Accountability Framework (MAF).	President's Management Agenda (PMA).
<b>Objective</b>	To measure and improve the management performance of government organisations.	To improve the management and performance of the federal government and deliver results that matter to the American people.
<b>Organisations examined</b>	Departments and large agencies (employing 500 or more) assessed annually and small agencies assessed every three years.	All 26 federal departments and major agencies.
<b>Timing</b>	Annual rounds of assessment started in 2003.	Quarterly scorings launched in 2001.
<b>Central leadership</b>	Treasury Board of Canada Secretariat (TBS).	Office of Management and Budget (OMB – in the Executive Office of the President). The official that presides over the reviews is the Deputy Director for Management at OMB.
<b>Key people involved</b>	Senior Executives, particularly Deputy Ministers (equivalent to Permanent Secretaries) and their assistants, are held accountable.	Chief Operating Officer for day-to-day operations of departments and agencies, and Chief Financial Officers, Chief Human Capital Officers and Chief Acquisition Officers.
<b>Incentives to act on the results</b>	This is used to report on Deputy Ministers' performance, with salary implications. Results might also have budget implications. Departmental assessments are published on the TBS website and departments and agencies report the results of assessments to Parliament.	For executives with functional responsibility for the different areas of the PMA, progress on the agenda is linked to their appraisals.
<b>Other key features of the programme</b>	MAF was aligned with the government's planning and reporting cycle.	Departments and agencies are scored quarterly using a red/amber/green system, both for performance against criteria and for progress.
<b>Reference</b>	<a href="http://www.tbs-sct.gc.ca/maf-crg/index_e.asp">http://www.tbs-sct.gc.ca/maf-crg/index_e.asp</a>	<a href="http://www.whitehouse.gov/results/agenda/index.html">http://www.whitehouse.gov/results/agenda/index.html</a>

Source: National Audit Office analysis of materials supplied by State Audit Institutions

#### NOTE

We were unable to assess the running costs of the different programmes because of a lack of comparable data.

- 1 Organisational assessment is not an exact science. There are many different approaches and models that are widely used across the private and public sectors.
- 2 We conducted two pieces of work to understand the context of Cabinet Office's approach:
  - i An analysis of approaches to improving public administration in other countries; and
  - ii An analysis of the scope of Capability Review model against other organisational assessment models used in the private and public sectors.

## International comparisons

3 We surveyed the State Audit Institutions of 30 countries in the Organisation for Economic Co-operation and Development and received 22 responses. Although most countries are keen to improve the performance of their administrations, we only found four examples of projects comparable to the Capability Reviews, in terms of scope, coverage and approach (**Figure 20**). These are:

- Canada – The Management Accountability Framework;
- USA – President's Management Agenda;
- South Korea – Government Performance Evaluation; and
- Belgium/European Union – Common Assessment Framework.

### South Korea

Government Performance Evaluation.

To promote government performance, quality of policies, and the satisfaction of citizens, by increasing the efficiency, effectiveness and accountability of the government administration.

All Central Administrative Bodies (departments), Local Governments, and Public Institutions.

Launched in March 2006. There are annual self-evaluations followed by action plans where necessary. Specific evaluations are carried out twice a year.

Committee for Government Performance Evaluation (composed of Ministers, academics, and senior staff from public and private sectors), under the supervision of the Prime Minister.

Self-evaluation Team and Self-evaluation Committee (more than two-thirds of its members being non-government employees) within each Central Administrative Body. Specific evaluations are led by the Prime Minister's Office and evaluated by the Public Service Evaluation Commission.

The government may grant rewards, including budgeting assistance, awards, bonuses and personnel, to excellent institutions and government employees.

The Prime Minister may re-evaluate the self-evaluation if necessary.

<http://www.psec.go.kr>

### European Union

Common Assessment Framework (CAF).

To modernise government and public service delivery. The CAF is a common European quality framework that can be used across the public sector as a tool for self assessment.

The CAF can be used by public organisations at the national, federal, regional and local level.

A pilot version was presented in 2000 and a revised version was launched in 2002 and updated in 2006.

Users decide who should lead any application of the CAF. More than 1,000 European public bodies (including 4 in the UK – Bentley College, Cornwall County Council, Dene Valley Council and the Welsh Assembly Government Statistical Directorate) have used the CAF. There is interest from outside Europe in using the tool.

Users decide how to apply the CAF, including whom to involve.

Users decide how to apply the CAF, including any incentives.

A CAF resource centre was established in 2001 at the European Institute of Public Administration (EIPA), to promote good practices and provide training and consultancy.

<http://www.eipa.eu/en/topics/show/&tid=191>

## Comparison of assessment models

4 In **Figure 21** we have compared nine organisational assessment models, including the Capability Review model, to show the similarities and differences in the business areas addressed. In almost all cases, the model only forms the basis of the review and is open to significant interpretation by the reviewer or review team.

5 At the time of our study, the Audit Commission was in consultation about the proposed replacement of the Comprehensive Performance Assessment and other inspectorates' assessments with a broader Comprehensive Area Assessment. For the purposes of this analysis, we have included the most recent Comprehensive Performance Assessment framework.

**21** Comparison of organisational assessment models

Assessment Area <sup>1</sup>	Capability Review	Management Accountability Framework	President's Management Agenda	Government Performance Evaluation	Common Assessment Framework	Comprehensive Performance Assessment	EFQM <sup>2</sup> Excellence Model	Burke Litwin	Independent Performance Assessment
Leadership	✓	✓			✓	✓	✓	✓	✓
Organisational structure	✓	✓		✓				✓	
Strategy and policy	✓	✓		✓	✓	✓	✓	✓	✓
Partnership working	✓	✓		✓	✓	✓	✓		✓
Resource management	✓	✓	✓	✓	✓	✓	✓	✓	✓
Financial management	✓	✓	✓	✓	✓	✓	✓	✓	
Performance management	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk management	✓	✓		✓					
Learning and innovation	✓	✓		✓	✓		✓		
Customer focus	✓	✓		✓	✓	✓	✓		
Performance results				✓	✓	✓	✓	✓	✓

Source: National Audit Office analysis

**NOTES**

1 Definition of assessment areas

- Leadership* the effectiveness and visibility of the organisation's leadership
- Organisational structure* the structure of the organisation and its appropriateness to its operational objectives
- Strategy and policy* the organisation's capability to develop robust strategies and policies
- Partnership working* the organisation's ability to work with its partners and manage its stakeholders
- Resource management* whether the organisation effectively manages its human and capital resources
- Financial management* whether the organisation effectively manages its finances
- Performance management* whether the organisation has robust systems in place and manages its performance effectively
- Risk management* whether the organisation effectively manages its corporate, programme and project risks
- Learning and innovation* whether the organisation has processes in place to facilitate organisational learning and innovation
- Customer focus* whether the organisation is focused on its customers' priorities
- Performance results* the organisation's performance against its strategic priorities

2 European Foundation for Quality Management.

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