



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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### **Cabinet Office and HM Treasury**

# The centre of government: an update

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Our vision is to help the nation spend wisely.  
Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 820 employees. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.1 billion in 2013.

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National Audit Office

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Cabinet Office and HM Treasury

# The centre of government: an update

Report by the Comptroller and Auditor General

Ordered by the House of Commons  
to be printed on 11 March 2015

This report has been prepared under Section 6 of the  
National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB  
Comptroller and Auditor General  
National Audit Office

9 March 2015

The centre of government has responsibility for coordinating and overseeing the work of government, enabling it to achieve its strategic aims and ensuring there is a central view of the effective operation of government as a whole.

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# Overview

## Introduction

- 1 The centre of government (the centre) has responsibility for coordinating and overseeing the work of government, enabling it to achieve its strategic aims and ensuring there is a central view of the effective operation of government as a whole. Most of these strategic functions are performed by the Cabinet Office and HM Treasury (the Treasury).
- 2 Over the last five years, the centre has worked to help departments make efficiency savings and change how they work. The next spending review is likely to continue spending reductions, and will require deeper change in departments. The centre must plan now for how it will work with departments to make significant further reductions while providing services.

### **The centre's role has evolved in response to austerity**

- 3 The spending review in 2010 set out a clear challenge to departments to make significant and long-term reductions in spending. It planned that departmental budgets other than health and overseas aid would be cut by an average of 19% over four years.<sup>1</sup> Against this backdrop, the centre introduced several cross-government initiatives and organisational changes designed to help departments make efficiencies, and implement reform in key areas of business activity. These include:

- **Organisational change** – The Cabinet Office set up the Efficiency and Reform Group to be an ‘operations’ hub to help implement cross-government priorities.<sup>2</sup> The centre set up new posts, such as the Chief Executive of the Civil Service housed in the Cabinet Office and a ‘Chief Financial Officer’ in the Treasury.<sup>3</sup>
- **Central approval mechanisms** – New centrally managed spending controls, including mandatory restrictions on areas of spending such as consultants, marketing and IT.

1 HM Treasury, *Spending Review 2010*, October 2010, Executive Summary. Available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/203827/Spending\\_review\\_2010\\_executive\\_summary.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/203827/Spending_review_2010_executive_summary.pdf)

2 The Efficiency and Reform Group (ERG) works in partnership with HM Treasury and government departments to deliver efficiencies, savings and reforms on behalf of UK taxpayers. Available at: [www.gov.uk/government/organisations/efficiency-and-reform-group](http://www.gov.uk/government/organisations/efficiency-and-reform-group)

3 Post title is Director General of Public Spending and Finance. Available at: [www.gov.uk/government/news/new-director-general-of-public-spending-and-finance-appointed](http://www.gov.uk/government/news/new-director-general-of-public-spending-and-finance-appointed)

- **Cross-government reform strategies** – Teams within the Efficiency and Reform Group (such as procurement, commercial and digital) worked with departments to develop medium-term plans to coordinate and reform how they work across government. The centre led these strategies but required departments to implement them.
- **Civil service capability** – The centre focused on developing capability in the priority areas of business activity – commercial, digital, finance, and project delivery – both in the centre and in departments.

**4** Partly as a result of these activities at the centre and in departments, the Efficiency and Reform Group announced £14.3 billion in savings across government in 2013-14 compared with a 2009-10 baseline.<sup>4</sup> This includes reducing demand, for example, hiring fewer consultants, as well as contract renegotiations, price savings, and reducing spending from transforming how services are provided.

**5** Over the course of the last parliament, savings from reducing demand in some areas of spending have become more difficult to achieve. This shows how further savings through continued spending controls will be challenging to achieve, and will have to come from transforming the way departments work.

**6** In June 2014, we published a report examining the role of the centre, including changes to the centre in recent years.<sup>5</sup> We recognised efforts by the centre to integrate, and the move towards greater central coordination in strategic areas of government activity such as commercial and digital, all given greater impetus by the climate of austerity. However, we highlighted that there was still a lack of consensus on the role of the centre. Our previous work gave examples of gaps in the centre's leadership, implementation of cross-government initiatives and capability, which posed potential risks to value for money.

**7** We concluded that: "A more coordinated approach to managing the business of government could offer benefits including: better value for money; improved services for the user; enhanced accountability to Parliament and the citizen; and a more coherent organisational view. These benefits will remain relevant as government seeks to implement its policy priorities in an environment of spending restraint for years to come."<sup>6</sup>

4 Cabinet Office savings announcement, 10 June 2014. Available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/318624/ERG-end-of-year-13-14-PRINT.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/318624/ERG-end-of-year-13-14-PRINT.pdf)

5 Comptroller and Auditor General, *The centre of government*, Session 2014-15, HC 171, National Audit Office, June 2014.

6 Comptroller and Auditor General, *The centre of government*, Session 2014-15, HC 171, National Audit Office, June 2014, paragraph 11.

**8** The centre recognises that it needs deeper change in how it works with departments. As we noted in our last report, central spending controls in particular can be rather blunt instruments, and could be substantially replaced by the more positive approach of longer-term detailed business planning.<sup>7</sup> *The Review of Financial Management in Government* (the financial management review) set out the goal of “moving, over the medium-term, to a more risk-based system of control” where departments may be allowed to “operate with higher levels of delegated authority”.<sup>8</sup>

### **The new Chief Executive has limited formal powers, although he does have other sources of influence**

**9** The government has created the Chief Executive role and appointed John Manzoni to the post to lead the development of the ‘functional leadership model’. His vision is to have a head of each profession, determining the operating model for the function, recruiting and deploying staff across government and setting common standards for departments. The government has identified the key functions as: communications; commercial; human resources; property; finance; digital; internal audit; and legal.<sup>9</sup>

**10** Historically these functions have formed part of an efficiency programme which has not been connected to the main spending review process which sets departmental expenditure. John Manzoni is now working with the Treasury to align them more closely. He chairs the Corporate Management Board, which brings together the Cabinet Office, the Treasury, permanent secretaries and functional leads.

**11** This should be an important forum for John Manzoni to push forward his agenda and coordinate efficiency planning ahead of the next spending review. However it is too early to comment on how successful it will be and there is a long way to go before the efficiency process is fully integrated into departmental spending plans.

**12** The Chief Executive post comes with limited formal power outside the Cabinet Office, although it does have levers of influence across government. John Manzoni recognises the importance of creating a shared understanding with permanent secretaries to influence change in departments. Again, the Corporate Management Board should help to provide collective ownership of his agenda across government.

7 Comptroller and Auditor General, *The centre of government*, Session 2014-15, HC 171, National Audit Office, June 2014, paragraph 8.

8 HM Treasury, *Review of financial management in government*, December 2013, page 6.

Available at: [www.gov.uk/government/publications/review-of-financial-management-in-government](http://www.gov.uk/government/publications/review-of-financial-management-in-government)

9 The functions were set out in the permanent secretaries’ letter to the Committee of Public Accounts, attached to HC Committee of Public Accounts, *The centre of government*, Nineteenth Report of Session 2014-15, HC 107, October 2014.

**The financial management review should move government in a more strategic direction but recommendations may not be fully implemented before the spending review**

**13** As well as determining departments' spending for the next five years, the spending review, currently expected to take place in autumn 2015, will set the tone for engagement between the Treasury and departments. The financial management review included recommendations designed to move finance in government towards the 'strategic business partner' role it has in the private sector, particularly given the continuing reductions to government spending.

**14** The programmes put in place to implement the review are designed to improve the skills and leadership of finance professionals, and develop common structures for management information and common ways of working. Teams are also working on new tools which use finance information to inform a more strategic view of departments. These tools will be most valuable if the centre has comparable results for all departments before the spending review.

**15** Departmental finance heads run the committees carrying out the review's recommendations, and they are involving finance staff from across government. This bottom-up approach should lead to a programme which is more tailored to departments' needs. Engaging finance staff across government should give the programme a better chance of achieving lasting change, although this approach does slow down the pace of change.

**16** The Treasury is planning to roll out key tools such as planning and performance principles and a common approach for risk and forecasting before the spending review, and the spending review guidance is being developed by the planning workstream.

**The centre has sometimes struggled to work effectively with departments**

**17** The centre has sometimes struggled to work with departments even though this is important to achieve successful transformation. Although there is a high level of agreement from departments on the principle of central coordination in key areas, there has been some resistance from departments to making the changes required. For example, our report on shared service centres found that this led to the first shared service centres having fewer users than anticipated and not achieving the expected economies of scale.<sup>10</sup>

<sup>10</sup> Comptroller and Auditor General, *The centre of government*, Session 2014-15, HC 171, National Audit Office, June 2014, Figure 17.

**18** In our first report on the centre of government, we found that barriers included the way the centre engages with departments, the lack of incentives in place, the burden on departments, and the centre's capacity and capability to implement its ambition.<sup>11</sup> The functional model must overcome these issues to help departments make the change needed.

**19** To be more coherent, teams at the centre focused on delivery (namely the European and Domestic Secretariat, the Major Projects Authority, the Implementation Unit and the Treasury spending teams) meet monthly to discuss priority programmes. If necessary, they agree who should lead any central intervention. The Major Projects Authority has also set up a pilot to improve the interaction between spending controls and project assurance, reducing burdens on departments and giving them greater clarity. The Cabinet Office also has an ongoing programme to reduce the amount of data it requests from departments, and ensure that future data requests are not duplicated or overly onerous. The Treasury's cross-departmental approach to implementing the recommendations of the financial management review also shows how the centre is making progress in working more collaboratively with departments.

## **Deeper change is needed in the next Parliament**

**20** The next spending review, required to set departmental spending after 2015-16, is expected to require further spending reductions. Although departmental plans have not been set, the Office of Budgetary Responsibility's projections for spending outside of welfare and pensions, based on the 2014 autumn statement positions on tax and other spending,<sup>12</sup> implies reductions to departmental expenditure every year up to 2019-20. This assumes no policy changes to tax or welfare and pensions spending. Alongside this, the government's paper on *Efficiency and Reform in the next Parliament*<sup>13</sup> sets goals for further savings of £10 billion in 2017-18, rising to £15–20 billion in 2019-20.

**21** The government has recognised that the cost reduction measures of the last Parliament can only go so far, stating that: "Future savings will be more difficult to achieve, and will require government to be more creative with how it delivers public services, from a stronger push on digital technology to introducing structural and transformational reform in government departments, agencies and public bodies."<sup>14</sup> The areas of digital transformation, commercial skills, and major projects delivery, along with the capability to manage change, are high priorities for the centre (paragraphs 3.7–3.10).

<sup>11</sup> Comptroller and Auditor General, *The centre of government*, Session 2014-15, HC 171, National Audit Office, June 2014, paragraphs 3.15–3.20.

<sup>12</sup> HM Treasury, *Autumn Statement 2014*, December 2014. Available at: [www.gov.uk/government/publications/autumn-statement-documents](http://www.gov.uk/government/publications/autumn-statement-documents)

<sup>13</sup> Cabinet Office and HM Treasury, *Efficiency and reform in the next parliament*, December 2014. Available at: [www.gov.uk/government/publications/efficiency-and-reform-in-the-next-parliament](http://www.gov.uk/government/publications/efficiency-and-reform-in-the-next-parliament)

<sup>14</sup> Cabinet Office and HM Treasury, *Efficiency and reform in the next parliament*, December 2014, page 19. Available at: [www.gov.uk/government/publications/efficiency-and-reform-in-the-next-parliament](http://www.gov.uk/government/publications/efficiency-and-reform-in-the-next-parliament)

**22** Departments must make even greater changes in how they work to make the future spending reductions likely to be required of them. They will have to look at their current operating models and change the way in which they provide services. In particular, they will have to work more collaboratively, pooling resources, and be more flexible and innovative in working through partners and delivering services digitally. Moving to a new way of working will require a new skill set in departments, particularly commercial skills in setting up and managing contracts, and digital skills to handle increasingly more online services. It will also require the right incentives and culture to support innovation and continuous improvement.

**23** Achieving this scale of transformation takes time. The number of organisations involved in its implementation and the scale of the challenge means that departments will need a greater capacity for medium-term business planning and project implementation, which are traditionally not strengths in government.

**24** Departments are aware of the size of the challenge they are facing. Although they remain accountable for service provision, there are roles for which they are looking to the centre to perform:

- Leadership and management of cross-government initiatives, such as shared services and procurement of common goods and services, to reduce costs.
- Expertise, support and monitoring in the areas that will support transformational change, particularly digital, commercial and major projects.
- A strategic view of the whole of government, working on cross-government policy initiatives and considering risks across the whole of government, not just for individual projects or programmes.

### **This change will require clearer and more effective leadership from the centre**

**25** Implementing the 2015 spending review will be a major challenge for the centre. It must incentivise and work with departments to produce credible business plans for transformation and hold them to account for meeting them, while maintaining standards for public services. If it does so, it will have a strong basis to achieve any future spending reductions required. If the centre misses this opportunity, then there is the risk of service failures and further spending reductions may not be achieved.

**26** The role of the centre will be crucial in facilitating this. Coordinating the implementation will be made more difficult by the number of significant programmes and the extent of structural and functional changes within departments and across government. To manage this effectively, roles and responsibilities in the centre for achieving government-wide change must be crystal clear. The centre will need sufficiently sensitive monitoring processes and management approaches to succeed.

**27** The ‘unarguable responsibilities’ in our last report show the elements of an effective centre (Figure 4). In recent years the centre has made progress against many of them, particularly exploiting government’s collective strength, and improving governmental capability. It must also develop those areas where departments are asking for more support, and which are of immediate importance in making the further cost reduction required.

**28 Lead better integration across government.** The centre must understand the cross-government picture and, where appropriate, make the best decisions for government as a whole. When we reviewed the processes for the 2010 spending review, we reported that the budgetary system does not incentivise departments to collaborate. At that time, we found the Treasury did not actively identify or coordinate spending on services between departments, direct departments to identify cross-departmental savings through joint working, or support integrated cross-government allocation of spending.<sup>15</sup> If departments are to make best use of limited resources after the next spending review, the centre must build on areas where coordination of spending has since been put in place, such as the Troubled Families programme and the Local Growth Fund.<sup>16</sup> The centre should have a whole-system view of departments rather than examining specific areas in isolation. It must monitor the implementation of multiple changes within departments at the same time. This means understanding the day-to-day operations of departments, as well as ministerial priorities and timetables.

**29 Lead a more rigorous approach to business planning.** The centre must incentivise the right behaviour, including promoting collaboration, integration and innovation. The centre must set clear requirements for departments to provide credible, data-based medium-term plans for achieving spending reductions while maintaining agreed service levels. Departments’ budget discussions with the Treasury should not be a separate exercise from ongoing discussions about efficiency, reform and transformation across government and the centre should use the Corporate Management Board to integrate them. For example, the savings that the Cabinet Office reports separately from the budgetary process should be integrated. This will provide more certainty that savings are part of lower overall expenditure. The centre must have credible expertise, to cope with the demands of departments for ongoing expert support in carrying out transformation once the plans are agreed.

**30 Monitor performance better, sharing learning and intervening where necessary.** The centre provides strategic leadership for cross-government policies or programmes. It should set an objective system for measuring government performance, agreed and understood by all initially and applied consistently across government. The centre should also lead on sharing knowledge, innovation and lessons learned across departments. The performance information the centre collects should give it a comprehensive view across the resources, capability and performance of departments. This will allow it to identify and support priority problem areas before issues become significant.

<sup>15</sup> Comptroller and Auditor General, *Managing budgeting in government*, Session 2012-13, HC 597, National Audit Office, October 2012, paragraphs 2.21-2.25.

<sup>16</sup> The Troubled Families programme was launched by the Prime Minister in 2011. A Troubled Families team, based in the Department for Communities and Local Government, has been established to join up efforts across the whole of government and to provide expert help to local authorities to drive forward the programme. The Local Growth Fund aggregates funding from various departments and provides funds to partnerships between local authorities and businesses for projects that benefit the local area and economy.

# Supporting Analysis

## Part one: The centre of government

**1.1** This part sets out how roles and responsibilities at the centre have changed since our previous report, and examines progress with implementing cross-government initiatives.<sup>17</sup>

### Recent developments

**1.2** The centre of government has changed substantially over the last parliament and is still evolving. Recent developments include the appointment of a Chief Executive for government, the creation of a unified Crown Commercial Service combining existing parts of Cabinet Office and working as a trading fund, and the development and implementation of plans to meet the recommendations in the Treasury-led review of financial management (**Figure 1** on pages 12 and 13).

### Roles and responsibilities at the centre

**1.3** In July 2014, the Committee of Public Accounts held an evidence session on the centre of government.<sup>18</sup> They asked the permanent secretaries at the Treasury and the Cabinet Office to give the Committee a statement which set out:

- the role of the centre as one integrated capability;
- the respective roles and responsibilities of the Cabinet Office, the Treasury and Number 10;
- how these three bodies work together; and
- how the centre works with other central government departments.

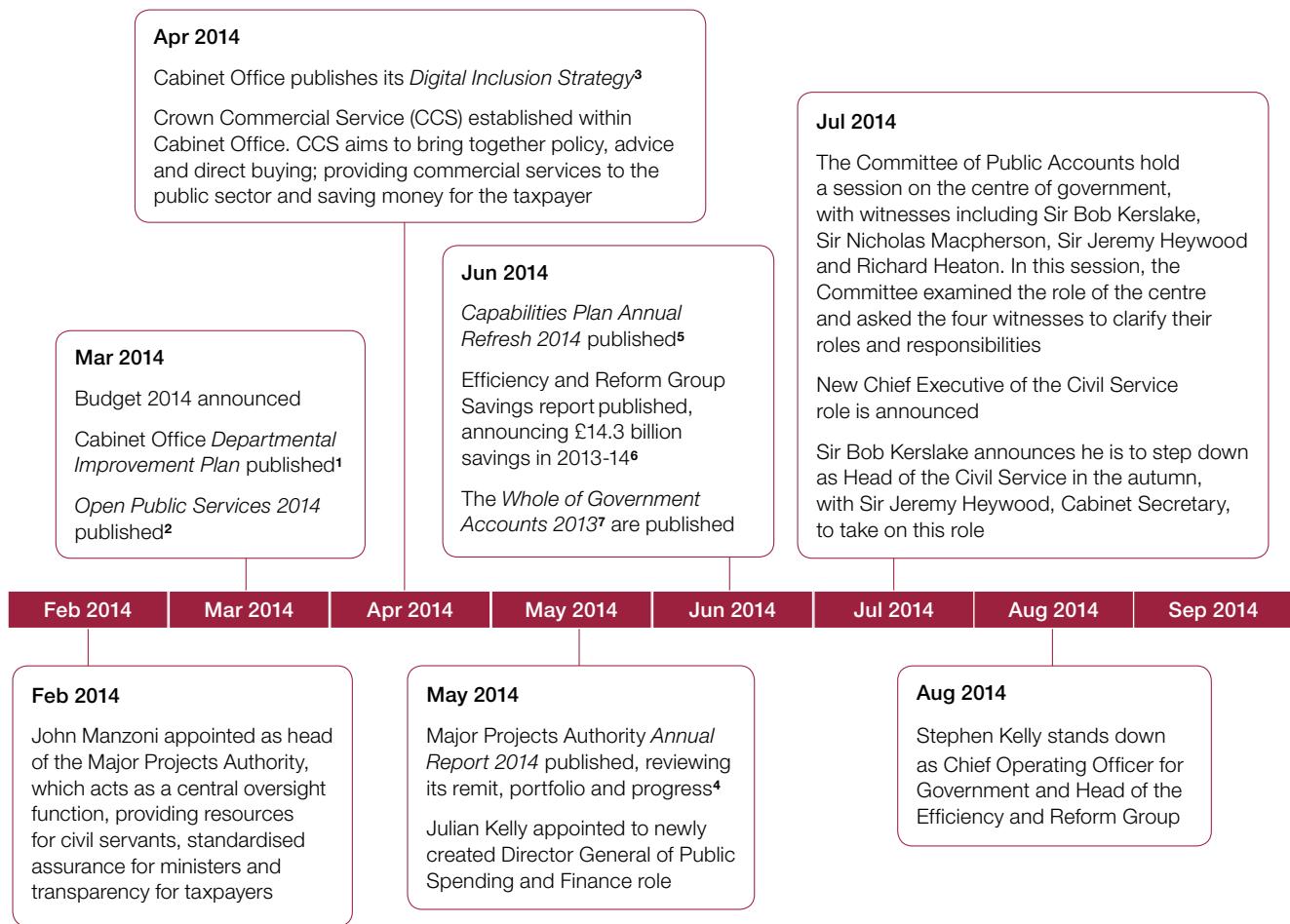
<sup>17</sup> Comptroller and Auditor General, *The centre of government*, Session 2013-14, HC 171, National Audit Office, June 2014.

<sup>18</sup> HC Committee of Public Accounts, *The centre of government*, Nineteenth Report of Session 2014-15, HC 107, October 2014.

## Figure 1

### Timeline of main events

#### Timeline of changes to the centre since January 2014



#### Notes

- 1 Cabinet Office Departmental Improvement Plan. Available at: [www.gov.uk/government/publications/cabinet-office-departmental-improvement-plan](http://www.gov.uk/government/publications/cabinet-office-departmental-improvement-plan)
- 2 Open Public Services 2014. Available at: [www.gov.uk/government/publications/open-public-services-2014-progress-report](http://www.gov.uk/government/publications/open-public-services-2014-progress-report)
- 3 Cabinet Office Digital Inclusion Strategy. Available at: [www.gov.uk/government/publications/government-digital-inclusion-strategy](http://www.gov.uk/government/publications/government-digital-inclusion-strategy)
- 4 Major Projects Authority Annual Report 2014. Available at: [www.gov.uk/government/publications/major-projects-authority-annual-report-2014](http://www.gov.uk/government/publications/major-projects-authority-annual-report-2014)
- 5 Capabilities Plan Annual Refresh 2014. Available at: [www.gov.uk/government/publications/civil-service-capabilities-plan](http://www.gov.uk/government/publications/civil-service-capabilities-plan)
- 6 Government Savings in 2013 to 2014. Available at: [www.gov.uk/government/publications/government-savings-in-2013-to-2014](http://www.gov.uk/government/publications/government-savings-in-2013-to-2014)
- 7 Whole of Government Accounts 2012 to 2013. Available at: [www.gov.uk/government/publications/whole-of-government-accounts-2012-to-2013](http://www.gov.uk/government/publications/whole-of-government-accounts-2012-to-2013)
- 8 Government Estate Strategy. Available at: [www.gov.uk/government/publications/governments-estate-strategy-2014](http://www.gov.uk/government/publications/governments-estate-strategy-2014)

**Nov 2014**

John Manzoni, in his new role, along with Sir Nicholas Macpherson, Sir Jeremy Heywood and Richard Heaton write to Margaret Hodge, chair of the Committee of Public Accounts outlining their view on the roles and responsibilities of the centre<sup>10</sup>

*Public Bodies 2014* is published<sup>11</sup>

**Dec 2014**

*Autumn Statement 2014* announced

Treasury publishes its *Departmental Improvement Plan*, setting out a small number of targeted actions which focus on professionalisation<sup>12</sup>

*Efficiency and Reform in the next Parliament* publication sets out the government's strategy to deliver savings from efficiency and reform over the next Parliament<sup>13</sup>

The *National Infrastructure Plan* is published<sup>14</sup>

**May 2015**

General election

Oct 2014

Nov 2014

Dec 2014

Jan 2015

Feb 2015

Mar 2015

Apr 2015

May 2015

**Oct 2014**

John Manzoni appointed to newly created Chief Executive of Civil Service role

*Government's Estate Strategy* published<sup>8</sup>

The Civil Service Reform Plan: progress update<sup>9</sup> is published

**Jan 2015**

The Government Digital Service, within Cabinet Office, publishes its *Annual Report*<sup>15</sup>

**Notes continued**

9 Civil Service Reform Plan: progress update. Available at: [www.gov.uk/government/publications/civil-service-reform-plan-progress-report](http://www.gov.uk/government/publications/civil-service-reform-plan-progress-report)

10 Letter to Margaret Hodge from Sir Jeremy Heywood, John Manzoni, Sir Nicholas Macpherson and Richard Heaton p. 18. Available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/388719/45502\\_Cm\\_8988\\_Accessible.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388719/45502_Cm_8988_Accessible.pdf)

11 *Public Bodies 2014*. Available at: [www.gov.uk/government/publications/public-bodies-2014](http://www.gov.uk/government/publications/public-bodies-2014)

12 HM Treasury Departmental Improvement Plan. Available at: [www.gov.uk/government/publications/hm-treasury-departmental-improvement-plan-building-a-great-treasury](http://www.gov.uk/government/publications/hm-treasury-departmental-improvement-plan-building-a-great-treasury)

13 Efficiency and reform in the next Parliament. Available at: [www.gov.uk/government/publications/efficiency-and-reform-in-the-next-parliament](http://www.gov.uk/government/publications/efficiency-and-reform-in-the-next-parliament)

14 National Infrastructure Plan. Available at: [www.gov.uk/government/collections/national-infrastructure-plan](http://www.gov.uk/government/collections/national-infrastructure-plan)

15 Government Digital Strategy Annual Report 2014. Available at: [www.gov.uk/government/publications/government-digital-strategy-annual-report-2014](http://www.gov.uk/government/publications/government-digital-strategy-annual-report-2014)

**1.4** The permanent secretaries replied in November, setting out what they saw as the five main roles of the centre:<sup>19</sup>

- serving the Prime Minister and Deputy Prime Minister;
- providing support on cross-government strategy;
- supporting ministers on business planning and resource allocation decisions;
- playing a role in monitoring and assuring the implementation of the government's programme; and
- providing corporate leadership for the broader civil service.

**1.5** The government's formal response to the report also set out the role of the new Chief Executive and the functional model of the centre in responding to the Committee's recommendations on:<sup>20</sup>

- designing performance management and incentives, to help departments meet cross-government priorities successfully;
- creating an integrated, single view of strategic risks and sharing lessons learned; and
- clarifying how skills and expertise will be shared between departments and the centre, particularly the finance function across government.

### The Chief Executive role

**1.6** In October 2014, John Manzoni was appointed as the first Chief Executive of the Civil Service.<sup>21</sup> The Chief Executive role has some limitations compared to a similar role in the private sector, such as the role's formal authority not covering the wider civil service, and the finance function having a separate reporting line. The role builds on the previous post of Chief Operating Officer for Government, with extra responsibility as the second accounting officer for the Cabinet Office focused on the centre's cross-government agenda (**Figure 2**). This change, along with the Cabinet Secretary taking over the role of the Head of the Civil Service,<sup>22</sup> has rebalanced responsibilities within the Cabinet Office (**Figure 3** on page 16).

<sup>19</sup> HM Treasury, *Government response on the Nineteenth report from the Committee of Public Accounts: Session 2014-15*; Cm 8988, December 2014.

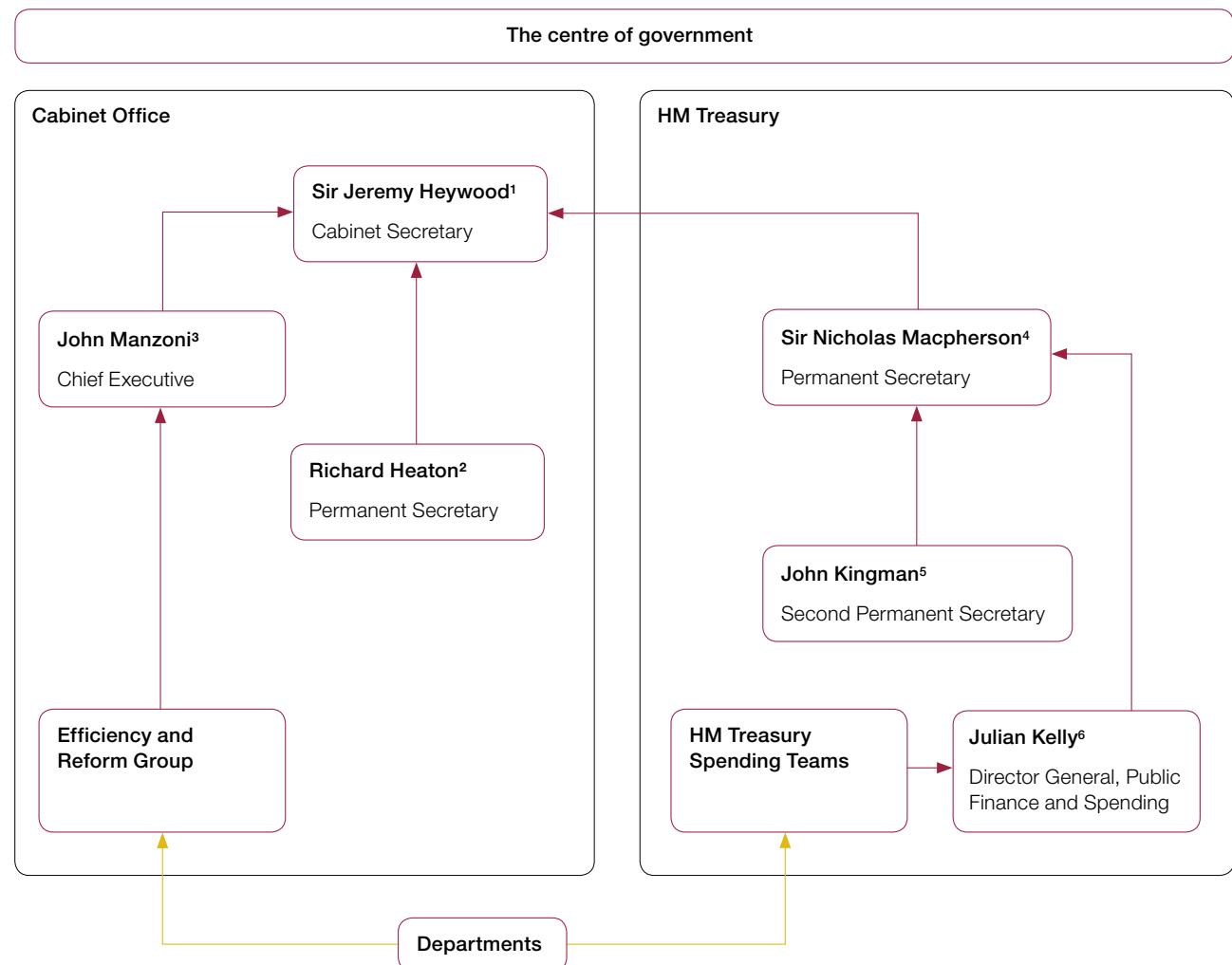
<sup>20</sup> See footnote 19.

<sup>21</sup> Cabinet Office announcement, 2 October 2014. Available at: [www.gov.uk/government/news/chief-executive-for-civil-service-appointed](http://www.gov.uk/government/news/chief-executive-for-civil-service-appointed)

<sup>22</sup> Sir Bob Kerslake stood down from the role in September 2014.

**Figure 2**

Roles and responsibilities at the centre

**Notes**

- 1 Sir Jeremy Heywood: Head of the Civil Service; supports proper, effective decision-making in government and effective implementation of government's priorities.
- 2 Richard Heaton: Responsible for leadership and governance of the Cabinet Office; as accounting officer, responsible for financial propriety.
- 3 John Manzoni: Responsible for efficiency and reform programme, corporate services and the civil service; as accounting officer, responsible for financial propriety.
- 4 Sir Nicholas Macpherson: As accounting officer, responsible for financial propriety; overall responsibility for the delivery of ministerial priorities.
- 5 John Kingman: Leads on HM Treasury's economic role.
- 6 Julian Kelly: Head of government finance profession and head of public spending.
- 7 The eight corporate functions in the centre of government (communications, commercial, HR, property, IT, finance, internal audit and legal) are split between the Chief Executive, the Director General for Public Finance and Spending, and other bodies at the centre.

Source: National Audit Office analysis of government structure

**Figure 3**

## The responsibilities of the new Chief Executive role

	<b>Chief Executive role</b>	<b>Comments</b>
Functional responsibilities	<p>Former Efficiency and Reform Group, including:</p> <ul style="list-style-type: none"> <li>● Major Projects Authority;</li> <li>● transformation, especially shared services (assisted by the Cabinet Office Permanent Secretary), and digital exemplars;</li> <li>● Government Digital Service, especially the ID Assurance Programme;</li> <li>● commercial, especially the Crown Commercial Service;</li> <li>● fraud error and debt (including grants); and</li> <li>● management information.</li> </ul> <p>The Civil Service Group, especially MyCSP.</p> <p>Civil Service HR.</p>	Responsibility for these functions was previously held by the Chief Operating Officer. The new Chief Executive has no extra formal powers with departments.
	<p>2014-15 Resource budget under direct control: <b>£105.644 million.</b></p>	Responsibility for these functions was previously held by the Head of Civil Service. The new Chief Executive has no extra formal powers with departments.
		Total government resource DEL for 2014-15 (according to autumn statement 2014): <b>£337.4 billion.</b>
Reporting lines	<p>The Chief Executive reports directly to the Head of Civil Service and Cabinet Secretary.</p> <p>The Chief Executive is also a secondary accounting officer of the Cabinet Office.</p>	The Chief Operating Officer reported to the Permanent Secretary of Cabinet Office.
Relationship with departmental permanent secretaries	<p>According to the job specification, “working closely with the Cabinet Secretary, he/she will support and challenge departmental permanent secretaries... As part of this he/she will support the Cabinet Secretary in managing the performance of the departmental permanent secretaries and ensuring that their delivery objectives are met”. John Manzoni confirmed that permanent secretaries would not be reporting to him, but he was “part of their selection and their appraisal”.</p>	It is unclear to what extent the Chief Executive will have a formal input and power to influence the actions of permanent secretaries across government. It is a role which is reliant on influence and personal credibility.

**Notes**

- 1 The figure for 2014-15 resource under the Chief Executive's control comes from the letter setting out his delegated authority as accounting officer.
- 2 Resource DEL stands for Resource Departmental Expenditure Limit and is a measure of spending which is under department's control. It does not include welfare spending.

Source: National Audit Office analysis of Chief Executive job specification, delegation letter, and evidence sessions with the Committee of Public Accounts and the Public Administration Select Committee

**1.7** John Manzoni has set out his vision for the role.<sup>23</sup> He believes that the whole point of the Chief Executive role is to “improve execution across government”.<sup>24</sup> To achieve this, he has four main priorities:

- people across the whole civil service – both improving skills and capability, and working on motivation and rewards;
- the functions – creating strong capability at the centre working with departments to improve outcomes;
- mechanisms for accountability and to manage outcomes and implementation across government; and
- leadership of the civil service – creating an experienced leadership which people have confidence in.

**1.8** This is a large and challenging agenda and the Chief Executive role has limited formal levers of power over departments, who will be responsible for most of the implementation. He plans to achieve his aims through his own personal credibility and influence, through the functions he manages, through direct relationships with senior staff in departments, and through closer working with the Treasury. He is chair of the Corporate Management Board, which brings together function leads, permanent secretaries and the Treasury and will provide him with a direct route to achieve transformation outside of the part of Cabinet Office which is under his direct control. The Chief Executive’s success will be dependent on his ability to create and maintain strong working relationships, supported by his leadership of the functional agenda.

**1.9** **Figure 4** on pages 18 and 19 provides an assessment of these developments against the framework of the centre’s responsibilities, as set out in our previous report. The new Chief Executive role and new model of operation are expected to impact on how many of the responsibilities are met. The functional model is still in development, with each function at a different stage of maturity.

<sup>23</sup> HC Committee of Public Accounts, *Oral evidence: The work of the Chief Executive of the Civil Service*, Session 2014-15, HC 806, November 2014, and HC Public Administration Select Committee, *Oral evidence: The work of the Chief Executive of the Civil Service*, Session 2014-15, HC 922, January 2015.

<sup>24</sup> HC Committee of Public Accounts, *Oral evidence: The work of the Chief Executive of the Civil Service*, Session 2014-15, HC 806, November 2014, question 2.

**Figure 4**

## Assessment of the centre's responsibilities

Responsibility	Detailed description	NAO Commentary on current position
Articulating a clear operating model for government	For clearer accountability, the Cabinet Office and the Treasury should clarify their respective roles as the corporate centre. They need to jointly present a coherent interface to departments that complements the role of accounting officers. This could be expressed as a contractual arrangement (for example, when the centre is delivering a shared service to departments as a customer); as a formal approvals process; or as a set of shared expectations.	The government set out the roles of the centre of government in response to the Committee of Public Accounts' recommendation. <sup>1</sup> This did not set out how the Cabinet Office and the Treasury work together and then how they present a coherent corporate centre to the rest of government. However, it is clear that both the Treasury and the Cabinet Office expect to work closely together. The government's response to the Committee of Public Accounts' report stated "Through leadership of the corporate functions, the Chief Executive will drive the government's ambitious operational delivery and reform programmes, working with the Treasury and government departments to ensure that business plans maximise the efficient use of allocated resources".
Providing strategic leadership of cross-government policies or programmes	This involves clear governance and accountability, a central statement of objectives, performance monitoring, and a continued focus on achieving benefits. This is particularly important in areas of high-risk and high-profile reform, and where things need to progress quickly, ensuring an evidence-based measurement of such change.	John Manzoni sees part of his role as ensuring that the functions across the centre work together. Functional leaders will be free to form their own operating models for working with departments. However, there is no overarching model which sets out how the system will operate as a whole, including the link between the cross-government functions and departmental accountability.
Exploiting government's collective strength	In some areas, the size of government as a customer gives it a competitive advantage or increased influence to achieve change. This can be seen, for example, in negotiations with suppliers on specific contracts, and more generally in managing ongoing relationships with suppliers.	The new Financial Management Review implementation plans are offering a new model of working with departments, where much of the strategy and implementation is being directed by departmental finance staff rather than by the Treasury. The Fraud, Error and Debt joint working group, which includes Cabinet Office and Treasury staff, is an example of working-level alignment at the centre, and a joint engagement with departments to standardise debt definitions and data.
Identifying and implementing more efficient and effective ways of working	This includes promoting standardisation and consistency across government in areas such as buying common goods and services (for example, stationery and travel). It can include direct delivery of shared services for back-office functions like HR, finance and procurement, and also for other areas of specific expertise such as project management or operational delivery. There are also opportunities to exploit and rationalise government's assets, such as property, land and IT.	The published paper <i>Efficiency and reform in the next parliament</i> sets ambitious savings targets, and collaborative procurement and commercial savings will continue to play a major part. <sup>2</sup> The Crown Commercial Service has already combined procurement and commercial capability to focus on these areas.

**Figure 4** continued

## Assessment of the centre's responsibilities

Responsibility	Detailed description	NAO Commentary on current position
Incentivising the right behaviour, including promoting collaboration, integration and innovation	Under the operating model of government, the accounting officer is responsible for the proper stewardship of resources and thereby, primarily, making the best decisions for their department. However, the centre can seek to influence and incentivise the right kinds of behaviour so that cross-government benefits are achieved. This may take the form of: funding incentives; additional performance objectives; ensuring long-term costs and benefits are taken into account; clearly demonstrating the value for money of adopting a central approach; or softer influencing strategies such as bringing department experts together to find solutions.	There has been limited articulation of the centre's role in incentivising desirable behaviours (see below) but this is not comprehensive, and how it will do this is still in development. This will be an area of importance leading up to the next spending review.
Understanding the cross-government picture and, where appropriate, making the best decisions for government as a whole	It is valuable for the centre to have a strategic view of activity, performance and risk, with a failure regime in place allowing for risk-based intervention or coordinated action where necessary. To avoid unnecessary data burdens, the centre needs to understand what data are necessary and how to use existing data sources, including benchmarking and sharing of good practice.	The Chief Executive is expected to use the new functional leadership model to draw together information more efficiently to identify risks and 'facilitate intervention as necessary'. It is not clear how this will work in practice.
Improving governmental capability	To improve policy implementation across government, the centre needs to understand current levels of capability and any capability gaps, how best to deploy the skills it has, and how to develop capability to run the government of the future. This also involves developing adequate capacity and capability at the centre.	The permanent secretaries' letter provided a relatively detailed explanation of the centre's responsibility for the civil service's professional capability, particularly in areas of corporate capability including commercial, digital, estates, projects, HR, IT, internal audit, legal and finance.
Presenting a coherent view	Developing a coherent, coordinated message in certain areas of government activity would help the centre maintain focus on these issues as governmental priorities, and support coordinated planning for cross-cutting activities. It would also help project an organisational confidence to Parliament and the public.	It is the responsibility of the Chief Executive to build up capability at the centre and deploy it within departments. He has stated that this is one of his top priorities. He will build on the reviews already carried out by some functional areas, such as the departmental commercial capability reviews the Treasury and the Cabinet Office undertake jointly.
		The Chief Executive role should increase consistency across the functions for how they work with departments. However, it has not been explicitly stated that functions should work together to provide a consistent set of strategies or processes for working with departments.

**Notes**

- 1 HC Committee of Public Accounts, *The centre of government*, Nineteenth Report of Session 2014-15, HC 107, October 2014, recommendation 2.
- 2 Cabinet Office and HM Treasury, *Efficiency and reform in the next parliament*, December 2014. Available at: [www.gov.uk/government/publications/efficiency-and-reform-in-the-next-parliament](http://www.gov.uk/government/publications/efficiency-and-reform-in-the-next-parliament)
- 3 HM Treasury, *Review of financial management in government*, December 2013, page 17. Available at: [www.gov.uk/government/publications/review-of-financial-management-in-government](http://www.gov.uk/government/publications/review-of-financial-management-in-government)

Source: National Audit Office analysis of the Permanent Secretaries' letter to the Committee of Public Accounts, the government's response to the Committee of Public Accounts' report, and the Committee of Public Accounts and Public Administration Select Committee hearings with John Manzoni as Chief Executive

## Implementing cross-government initiatives

**1.10** Two areas where there have been significant developments since our last report are the review of financial management in government and the Major Projects Authority.

### Review of financial management in government

**1.11** The review, published in December 2013, proposed a stronger central role in financial leadership, the spending control framework, management information and internal audit.<sup>25</sup> The Treasury, working with financial staff across government, has developed detailed plans underpinning its ambitions in four areas: people; the finance operating model; performance and planning; and data structures.

**1.12** We have reviewed the delivery plans in detail (**Figure 5**), to assess:

- how well they meet the recommendations of the review (suitability);
- whether they are achievable (deliverability);
- what level of departmental engagement is needed to achieve them (breadth of scope);
- how the Treasury will judge success (measurability); and
- what progress has been made (progress).

**1.13** As well as setting out a clear direction of travel for financial management in government, the implementation plans are being rolled out through the new functional model. The four plans are managed by committees made up of financial directors and financial staff from across the major departments and their arm's-length bodies, supported by a small team within the Treasury.

**1.14** This structure is helping to focus the plans on areas that matter most to departments. It gives an accessible route to pilot new ideas across government, which will add to the robustness of delivery. Ideas in pilot stage include tools to help departments understand their cost drivers, and assessments of risk and capability. The structure may take longer to implement, since it relies more on volunteers and staff doing the work alongside their normal job. It is also more likely to bring lasting change, since the staff required to implement it have greater ownership of the actions and culture they are creating.

**1.15** The cross-government involvement in implementation, and the focus on skills and talent across government, is also helping to create a greater feeling of a single finance profession in government. The high level of departmental engagement and the centre's functional approach to carrying out the recommendations of the review are positive characteristics which could be replicated more widely.

25 HM Treasury, *Review of financial management in government*, December 2013. Available at: [www.gov.uk/government/publications/review-of-financial-management-in-government](http://www.gov.uk/government/publications/review-of-financial-management-in-government)

**Figure 5**

## Review of implementation plans

<b>Criteria</b>	<b>Comment</b>
Suitability	<p>There is a clear link between the recommendations in the review and the areas for implementation. In particular, the 'People' workstream aims to address 'the right people with the right skills in the right place' and the 'Operating Model' workstream aims to develop a target operating model for the finance function across government.</p> <p>The delivery plans have expanded to go beyond the initially stated aims of the Financial Management Review. In particular, some workstreams in the Finance Operating Model delivery plan (eg Target Operating Model) appear to be additional to the list of ten recommendations in the December 2013 document. We welcome this as a response to the Committee of Public Accounts' recommendation for the need to "strengthen the finance function across government, through providing central expertise and helping departments improve their financial capability".<sup>1</sup></p>
Deliverability	<p>The delivery plans are works in progress, and there has already been some movement in planned delivery dates. In particular, the People plan has moved some actions it had hoped to achieve by the 2015 spending review into delivery in 2016, while some deadlines for Performance and Planning outputs have been brought forward. Since the delivery plans are still in development, it is difficult to conclude as to whether this is a reasonable adjustment of expectations or early indications of the challenges in implementation. We will monitor progress in the early stages of the new Parliament and report as appropriate.</p>
Breadth of scope	<p>The delivery plans require a high level of involvement from across government if they are to deliver the change required. The Treasury has tried to build this in from the start – the delivery plans are being led by the directors general for finance from the Ministry of Defence, the Ministry of Justice, the Department for Work &amp; Pensions and the Department for Business, Innovation &amp; Skills. Parts are being piloted directly with individual departments.</p>
Measurability	<p>As the delivery plans have been developed, the metrics for measuring success have become more clearly defined. The plans have short- medium- and longer-term objectives, clear deadlines for main activities, and have started to include numerical, measurable targets.</p>
Progress	<p>So far delivery in the October plans is consistent with that set out earlier in 2014. A few outputs have been removed from the delivery plans, and there has been some minor slippage in the deadlines for output delivery. We would expect this with a live set of implementation plans. A key test will be how much is ready for the next spending review.</p>

**Note**

<sup>1</sup> Committee of Public Accounts' recommendation comes from HC Committee of Public Accounts, *The Centre of Government*, Nineteenth Report of Session 2014-15, HC 107, October 2014, recommendation 5.

Source: National Audit Office review of HM Treasury implementation plans updated throughout 2014

**1.16** The next major test for financial management implementation will be the impact on planning, agreeing and implementing the spending review. Many of the actions under way would provide valuable support for spending review discussions if there are comparable results for all departments. In particular, those actions which aim to provide deeper understanding of the drivers of costs, and those which try to present a complete picture of departmental risks. The current plan is for key tools to be rolled out to all departments in 2015, in time for a possible spending review in autumn.

### The Major Projects Authority

**1.17** The Major Projects Authority is designed to support departments to carry out major projects as efficiently and effectively as possible. Because their remit is so wide-ranging, they have a clearer perspective than other parts of the centre on how the different initiatives overlap and increase the burden on departments. They can act as a broker between other parts of the centre and departments, to improve project delivery.

**1.18** One way in which they are trying to do this is by piloting a process for integrating spending controls into the Major Projects Authority assurance process. The stated purpose is:

- to improve the application of project controls so that the timing and quality of controls adds value to the project and helps it deliver to time, cost and quality;
- to provide greater opportunities for the Efficiency and Reform Group to influence direction and decisions and to reduce the occurrence of last minute surprises through earlier and coordinated engagement;
- to provide major projects with the space to ‘get on and do’ in a project environment through packaged approvals for each phase covering multiple types of spend and involving commitments on both sides; and
- to engineer good practice into the project at the start of a phase and ensure early agreement and adherence to commercial and technical strategies.

**1.19** Each pilot project has a tailored agreement which sets out detailed milestones, and the criteria under which spending is agreed.<sup>26</sup> These cover areas such as: demonstrating how they are meeting codes of practice; setting out detailed implementation plans; and representation for the central teams on the relevant programme boards. It is not practical for this specific approach to be replicated across the entire major projects portfolio, as it is so tailored and labour intensive. However, the centre could build on this approach as part of the development of standards and delegated authority, which are components of a functional leadership model.

<sup>26</sup> This approach is being piloted on four projects: Rail franchising, Digital Services at the Border; The Emergency Services Mobile Communications Programme; and Defence Core Network Services.

## Part two: Departmental engagement

**2.1** This part shows the engagement the centre has with departments, what departments would like to gain from it, and how departments see the interaction at present.

### Engagement with the centre

**2.2** The different initiatives at the centre interact with departments at different levels and view different aspects of the business. These include:

- groups which are focused on overall implementation of policies and programmes, and the risks to success, for example the Implementation Unit or the Major Projects Authority;
- groups which interact with specific functions within a department, for example the Crown Commercial Service input into interactions with suppliers; and
- groups which support departments day-to-day, for example the spending teams in the Treasury.

### Departmental views of the centre

**2.3** Departments generally support the aims of the centre. Departments had their own perspective on where the centre could add value, but they agree with the responsibilities we set out in our previous report and in Figure 4.<sup>27</sup>

- **Centralising common processes to reduce costs**

Exploiting government's collective strength; Identifying and implementing more efficient and effective ways of working. Departments agreed with the principle of procurement of common goods and services centrally, reducing duplication in procurement across government and using collective strength to negotiate better prices. Departments also saw the value in systems to share common back-office services, reducing costs to departments, and were open to the idea of this being moved beyond the shared service centres being set up.

- **Providing expertise in key areas of government activity**

Improving governmental capability. Departments were looking for specialist support, which they could call upon at need. The main areas where departments wanted this expertise were in managing major projects, complex commercial negotiations, and digital transformation – all those areas where departments expect to make significant changes. Departments were largely complimentary about how the Major Projects Authority in particular was working with departments to improve project delivery, developing skills within departments and offering practical support.

<sup>27</sup> Comptroller and Auditor General, *The centre of government*, Session 2014-15, HC 171, National Audit Office, June 2014, paragraph 11.

- **Leading on cross-government initiatives**

Incentivising the right behaviour, including promoting collaboration, integration and innovation. Departments did not feel that the centre always had to manage cross-government work, but that it could direct departments to take the lead, and help departments to develop models of accountability for shared working and shared project funding.

- **Providing strategic oversight of government as a whole**

Understanding the cross-government picture and, where appropriate, making the best decisions for government as a whole. Departments felt the centre needed to use its overarching view to ensure that departmental priorities fit together, and that the consequences of actions in one department are understood where they affect the rest of government.

- **Monitoring of main priorities**

Providing strategic leadership of cross-government policies or programmes. Departments understood the centre needs to be involved in priority programmes. They appreciated the areas, such as the Implementation Unit, that try to understand the department and offer constructive feedback. Departments also understood the need to set out standard policies in priority areas, but felt that often the criteria were too rigid.

**2.4** The departments also commented on how the centre of government could improve the way it worked with departments. The main messages showed where the centre could do more to meet the unarguable responsibilities we set out in our last report:

- **Working together as a coordinated centre of government**

Articulating a clear operating model for government. Departments identified a large number of cases where different parts of the centre did not communicate with each other, leaving the department to act as go-betweens. They also said that different functions at the centre often made repetitive requests for project information and assurance, and a more coordinated approach would substantially reduce the burden on departments.

- **Providing a coherent message to departments**

Presenting a coherent view. Departments gave a number of examples where interactions with different parts of the centre conflicted and left departments unclear on priorities. This sometimes led to programme or project delays.

**2.5** Departments noted two issues that affected the centre's ability to meet its responsibilities. They felt that the centre did not always do all it could to understand the business of the department and its priorities, so the support and challenge the centre offered was sometimes inappropriate for the circumstances. Also some parts of the centre did not seem to have the capacity or capability to give all the support they promised to departments.

## Part three: The challenge ahead

**3.1** This part sets out the scale of forecast future spending reductions and the centre's view on how they will be achieved.

### Forecast spending reductions

**3.2** The autumn statement set out a forecast for total government expenditure over the next five years based on the Office for Budgetary Responsibility's fiscal assumptions.<sup>28</sup> The implied forecast for departmental expenditure limits (the spending which departments can control and which does not include welfare or pensions) is £37 billion lower in 2019-20 than in 2013-14 in cash terms, a reduction of 11%.

**3.3** This figure is implied from the Office for Budgetary Responsibility's forecasts which assume no policy change in future years to welfare, pensions or tax, but that all deficit reduction would be delivered from departmental budgets. However, as indicated in the Office for Budgetary Responsibility's *Economic and Fiscal Outlook*, the main parties have all committed to reducing the deficit, but each has indicated that they would pursue different policies to achieve this.<sup>29</sup>

**3.4** Although implied, this would be a tough target for reductions in spending, particularly since it follows five years of spending cuts where departments have already made many of the more straightforward cuts in expenditure. As **Figure 6** overleaf shows, the implied future reductions in expenditure in the autumn statement are considerably greater than those set out in the previous spending review.

**3.5** The Cabinet Office have tracked the savings made in key areas over the last parliament and published the totals annually. **Figure 7** on page 27 shows the effect of specific spending controls on use of consultants and advertising. The controls have successfully reduced spending but further reductions in these areas are unlikely. Departments will have to make transformational change to make spending reductions of this size. The centre is aware of the challenge and has highlighted the functions of the Major Projects Authority, Crown Commercial Service, Government Digital Service and Government Property Unit as the "the core functions that support delivery across the service".

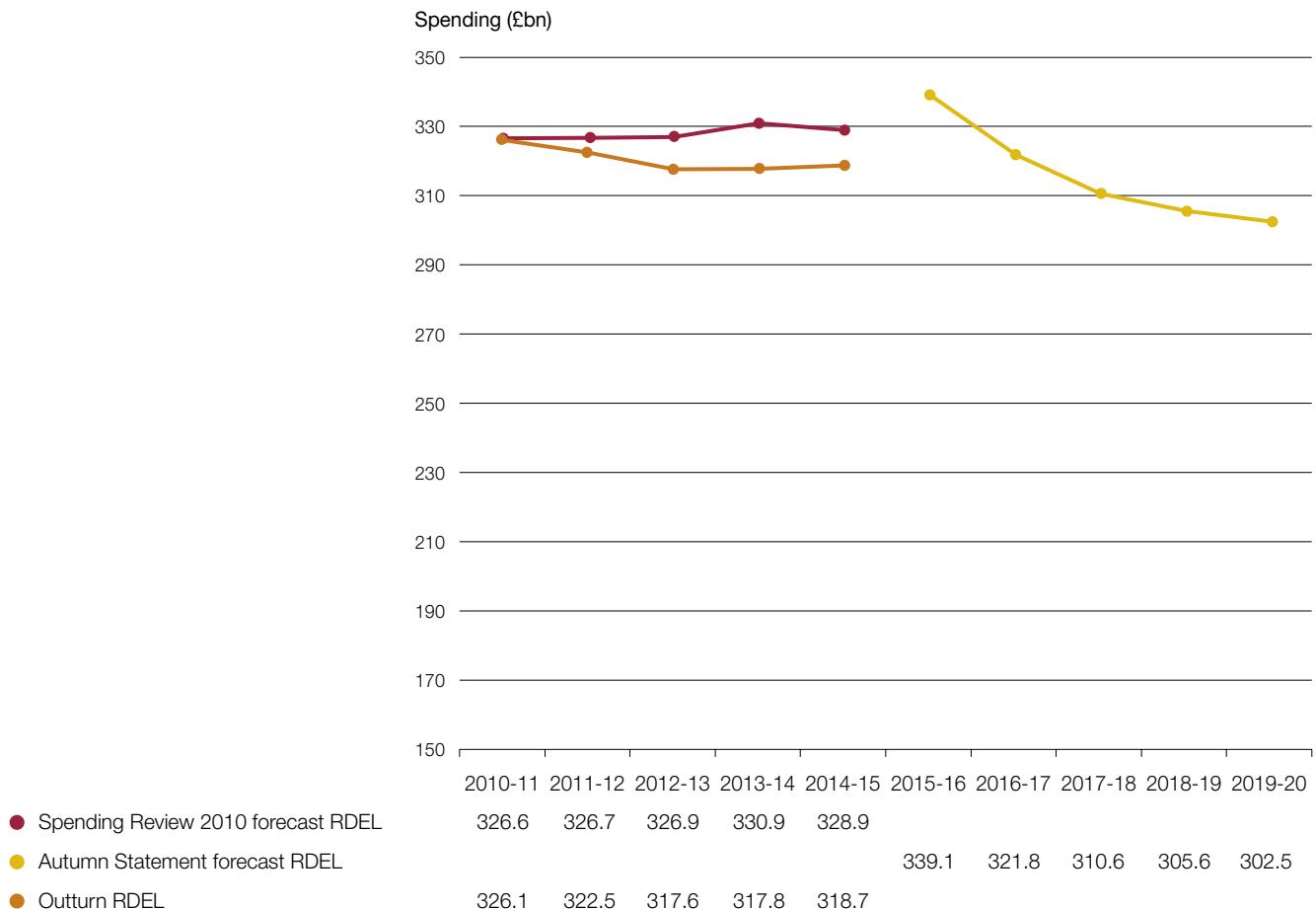
<sup>28</sup> The Office for Budgetary Responsibility forecast is set out in Table B.4 in the Treasury's *Autumn Statement 2014*. HM Treasury, *Autumn Statement 2014*, December 2014. Available at: [www.gov.uk/government/publications/autumn-statement-documents](http://www.gov.uk/government/publications/autumn-statement-documents)

<sup>29</sup> Office for Budgetary Responsibility, *Economic and Fiscal Outlook*, December 2014, paragraph 1.11. Available at: [http://cdn.budgetresponsibility.independent.gov.uk/December\\_2014\\_EFO-web513.pdf](http://cdn.budgetresponsibility.independent.gov.uk/December_2014_EFO-web513.pdf)

## Figure 6

Spending 2010-11 to 2019-20

Future forecast reductions in spending may be as significant as those already achieved



### Notes

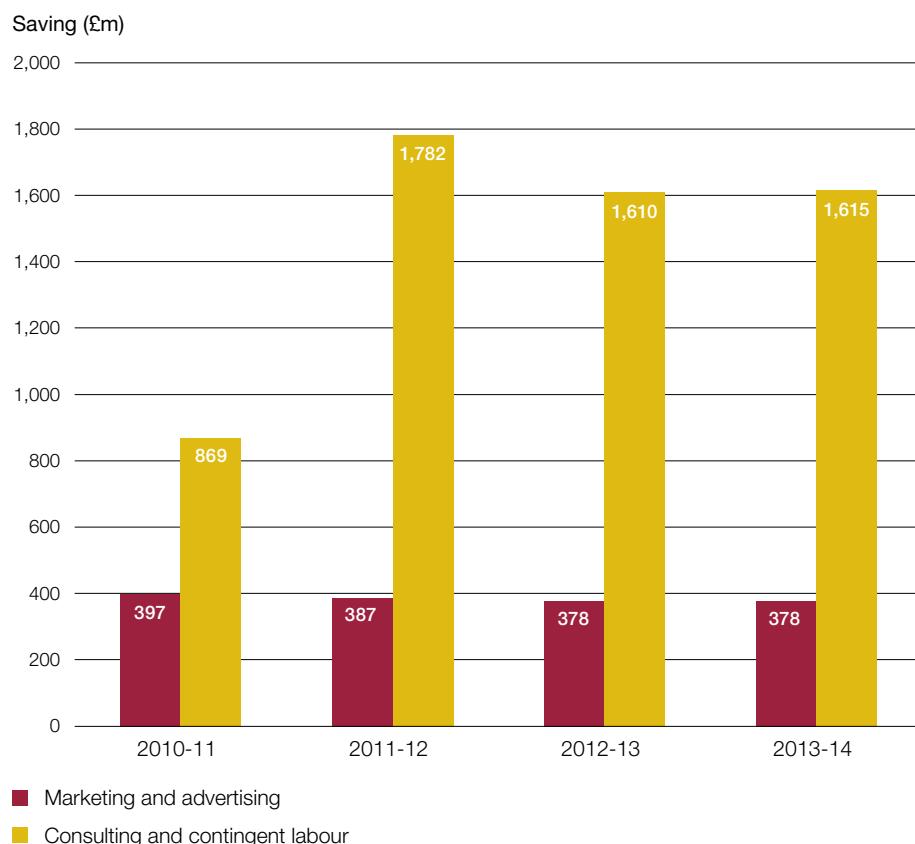
- 1 RDEL stands for Resource Departmental Expenditure Limit and is a measure of spending which is under the departments' control. It does not include welfare spending.
- 2 The forecast RDEL set out in the autumn statement is calculated as the difference between total forecast current expenditure and the forecast for Annual Managed Expenditure.
- 3 The forecast RDEL in the autumn statement includes depreciation.

Source: National Audit Office analysis of *Spending Review 2010* and *Autumn Statement 2014*

**Figure 7**

## Savings from spending controls

Savings from operation of two key spending controls have become static over the course of the last parliament

**Notes**

- 1 Figures taken from Efficiency and Reform Group savings announcements 2010-11 to 2013-14.
- 2 The Efficiency and Reform Group operates spending controls over consultants, contingent labour, and marketing and advertising spend.

Source: National Audit Office analysis of Efficiency and Reform Group savings announcements 2010-11 to 2013-14

## The future for efficiency and reform

**3.6** Alongside the autumn statement, a policy paper on *Efficiency and reform in the next parliament* was jointly published by the Treasury and Cabinet Office. This sets out the tools by which the government will seek to make savings.<sup>30</sup> It also states Cabinet Office and Treasury's intention to "work together as a strong corporate centre of government", and explains how the functions operate. The Chief Executive will have Functional Leaders reporting to him in commercial, digital, HR, communications, property and major projects. The finance and internal audit function reports to the Treasury Permanent Secretary; legal to the Head of the Civil Service.

**3.7** The paper sets a new, stretching target for the government to find a further £10 billion in efficiency savings for 2017-18, and £15 billion to £20 billion for 2019-20. The paper recognises the scale of the challenge this represents, and that the centre's role is to provide departments with support to change how they work which will lead to savings.

**3.8** The planned initiatives for the next Parliament set out in this paper cover the portfolio of the Chief Executive, namely digital; property and land; major projects; procurement and commercial; transformation; and fraud, error and debt. The Treasury's role in sharing governance arrangements, such as ministers jointly chairing Cabinet meetings, is mentioned, as well as the finance profession as a key function.

**3.9** The paper also reiterates the functional model, stating that the functional heads have clearly defined roles in:

- managing talent within their profession (including through controlling recruitment, deployment and setting career pathways);
- building capability by setting the learning curricula for their profession; and
- setting common standards and delegation frameworks to improve planning and delivery.

**3.10** The paper sets out the general direction of travel for the future. It states that departments must own the transformation agenda and the central functions will support them. It also expects that the current spending controls will evolve into functional standards, as suggested by the project control pilots we discuss in paragraphs 1.17–1.19.

**3.11** The paper includes updated objectives for each area (**Figure 8** on pages 29 and 30). These have different levels of detail, and do not include underpinning plans for delivery, which will need to be developed with the relevant departments. Some actions – for example "make it simple to track government applications, renewals and requests securely" – do not seem to link directly to savings. The government will need to assess how it can measure its impact. The report was published alongside the autumn statement but does not link the efficiency target with the fiscal assumption in the autumn stagement.

30 Cabinet Office and HM Treasury, *Efficiency and reform in the next parliament*, December 2014, page 19.  
Available at: [www.gov.uk/government/publications/efficiency-and-reform-in-the-next-parliament](http://www.gov.uk/government/publications/efficiency-and-reform-in-the-next-parliament)

**Figure 8**

## Summary of Efficiency and Reform in the next Parliament

<b>Area</b>	<b>Objectives</b>
Digital	<p>The government's objectives are to:</p> <ul style="list-style-type: none"> <li>● increase digital uptake of government public services;</li> <li>● make it easier to make payments to government online, especially from a mobile phone or device;</li> <li>● make it simple to track government applications, renewals and requests securely – such as driving licence applications or passport renewals;</li> <li>● design a new common appointments platform for booking face-to-face services;</li> <li>● ensure that every new digital service is available via an open Application Programming Interface (API) as well as a web browser, to encourage private sector innovation;</li> <li>● nominate a Government Chief Data Officer to define data standards for the public sector;</li> <li>● publish performance scores for each appropriate digital government service showing user satisfaction with the overall service (not just the digital component);</li> <li>● accelerate the move of existing IT services in to the Cloud, using GCloud suppliers and Crown Hosting Service;</li> <li>● do more to empower individuals to take more control of the information that government holds about them, and keep track of how that information is used;</li> <li>● build in stronger cyber security as digital services are redesigned;</li> <li>● bring more digitally skilled people into government, and support departments in developing digital capability; and</li> <li>● create regional centres of excellence for digital skills through 'hubs' right across the country.</li> </ul>
Property	<p>Between now and 2020 the government will continue to reform how the state uses property, so that it:</p> <ul style="list-style-type: none"> <li>● removes artificial boundaries between departments, local authorities and other public bodies;</li> <li>● works in ways that minimise the need for office space;</li> <li>● uses what it has more efficiently;</li> <li>● gets rid of surplus in a way that maximises receipts; and</li> <li>● boosts growth and supports the creation of new homes.</li> </ul> <p>It will achieve this by:</p> <ul style="list-style-type: none"> <li>● accelerating the programme of moving to civil service 'hubs' –bringing different parts of the public sector together into a single building;</li> <li>● a new target to reduce the office space per FTE to an average of just eight square metres by 31 March 2018;</li> <li>● future disposals, generating a further £5–6 billion of receipts by 2020, supported by the Government Property Finder app on gov.uk, and the Right to Contest;</li> <li>● developing the One Public Estate programme, bringing together all public sector bodies within a locality to develop a new approach to managing their land and property; and</li> <li>● extending this approach to all local authorities with a significant asset base.</li> </ul>

**Figure 8 continued**

## Summary of Efficiency and Reform in the next Parliament

<b>Area</b>	<b>Objectives</b>
Major Projects	<p>To ensure that departments have the necessary support and capability to deliver major projects and secure the benefits from these transformational projects, the government will:</p> <ul style="list-style-type: none"> <li>● continue the drive to develop world-class experts in project delivery through the successful Major Projects Leadership Academy. The government's aspiration is that no civil servant will lead a major project without first qualifying from this academy;</li> <li>● supplement this with a new programme for those below senior civil service to ensure that civil servants at all levels are developing delivery expertise, through the Projects Leadership Programme; and</li> <li>● ensure that expert delivery is embedded across all public service change programmes rather than only major projects.</li> </ul>
Procurement and Commercial	<p>The aim is to transition up to £10 billion of annual spend on common goods and services from departments to the Crown Commercial Service (CCS) by 2019-20.</p> <p>The Cabinet Office and HM Treasury will also support departments in renegotiating the largest and most complex contracts to release significant savings, building on successes in this Parliament.</p> <p>The government's ambition is to expand further the work of the Crown Commercial Service into the wider public sector, to support the NHS, local authorities, schools and the police to maximise their buying leverage.</p> <p>Government will look to extend transparency to build a culture of 'comply or explain'.</p> <p>The government is also reforming its procurement processes, including by addressing processes that are unnecessarily burdensome for small businesses.</p> <p>The Chief Commercial Officer will continue to source assistance from experienced business leaders working as Crown Representatives, creating a network of senior commercial leaders across government, and departments will continue to expand the cadre of deep commercial specialists across Whitehall.</p> <p>The successful Commissioning Academy – a cross-public sector, peer-to-peer learning programme which builds capability and in-depth understanding of commissioning services for the public – will also be expanded to deliver 1,500 places by March 2016.</p>
Transformation	<p>In the next Parliament the government will apply what it has learned [about using alternative delivery models such as joint ventures and mutuals] to opportunities across central government, while supporting further efforts in the wider public sector.</p> <p>In the wider public sector the government will ensure that wherever there is a desire to mutualise, staff are offered support.</p> <p>The government will complete the transformation of its 'back-office' shared services.</p> <p>Triennial Reviews will identify opportunities for more radical structural change over the next Parliament.</p>
Fraud, Error and Debt	<p>Department for Work &amp; Pensions and HM Revenue &amp; Customs are considering how they can reduce fraud and error in the legacy benefits system.</p> <p>Use of real time data about individuals' employment and earnings will enable significant reductions in error and abuse in both the tax and benefits systems.</p> <p>The government will continue to address fraud and error, including by focusing on losses from housing benefit and in the health system, for example from prescriptions and dental claims. The Department of Health will shortly outline specific initiatives to tackle fraud loss in prescription exemption and dental services.</p> <p>To tackle uncollected debt, the government will take further action including introducing the Debt Market Integrator.</p>

Source: National Audit Office analysis of policy paper on *Efficiency and Reform in the next Parliament*

# Appendix One

## Methodology

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Method of collecting evidence	Work carried out
Document review and analysis	Review of the <i>Autumn Statement 2014</i> and paper on <i>Efficiency and Reform in the next Parliament</i> published by Cabinet Office and HM Treasury.
Cabinet Office engagement	Review of key documents including the financial management implementation plans, formal documentation on the role of the Chief Executive, and the Major Projects Authority project-based controls agreements.
HM Treasury engagement	Interviews with staff in: <ul style="list-style-type: none"><li>● the Major Projects Authority;</li><li>● the Crown Commercial Service;</li><li>● the Implementation Unit; and</li><li>● the Fraud, Error and Debt team.</li></ul>
Departmental engagement	Review of evidence sessions with the new Chief Executive by both the Committee of Public Accounts and the Public Administration Select Committee.
National Audit Office back catalogue	Interviews with the Financial Management team.
	Interviews with staff in the HM Revenue and Customs' spending team.
	Interviews with senior staff in six central government departments.
	Review of our previous report on the centre of government and subsequent Committee of Public Accounts report.
	Review of our other work, particularly reports published in 2014 on: <ul style="list-style-type: none"><li>● savings reported by the Efficiency and Reform Group;</li><li>● contract management across government; and</li><li>● the government's journey from IT to digital transformation.</li></ul>

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National Audit Office

Design and Production by NAO Communications  
DP Ref: 10630-001

£10.00

ISBN 978-1-904219-74-3



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