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BRIEFING FOR THE PUBLIC ADMINISTRATION SELECT COMMITTEE

Work of the Cabinet Office 2006-07

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Introduction

Scope of Briefing

1. This briefing is prepared for the Public Administration Select Committee of the House of Commons to provide an overview of the work and performance of the Cabinet Office in the financial year 2006-07.
2. The briefing takes as its basis the Cabinet Office's Annual Report 2007 *Making Government Work Better*, but it also draws on additional evidence and raises some of the topical issues and challenges that have faced the Cabinet Office over the year.
3. It aims to raise questions and stimulate debate by summarising already published work, but does not attempt to come to an overall conclusion.
4. The contents of the briefing have been shared with the Department to ensure that the evidence presented is factually accurate. Conclusions on the areas that the Committee may wish to explore are the sole responsibility of the National Audit Office.

Departmental Background

5. The Cabinet Office has a unique coordinating and strategic role across government. Its overarching purpose is to 'make government work better'.
6. It sits at the centre of government and its principal objectives are to:
 - support the Prime Minister in defining and delivering the Government's objectives;
 - support the Cabinet by driving the coherence, quality and delivery of policy and operations across departments; and
 - strengthen the Civil Service by ensuring it is organised effectively and has the capability in terms of skills, values and leadership to deliver the Government's objectives.

Organisational Structure

7. The Cabinet Office Board is chaired by Sir Gus O'Donnell and its role is to steer and manage the business of the Department in accordance with ministerial priorities. Its responsibilities include:

- To recommend a business plan, resource allocation and strategy for achieving the Department's business objectives to ministers;
 - Monitor and improve the Department's performance against these;
 - Ensure that risks are identified and effectively managed;
 - Oversee the Better Cabinet Office programme, a programme aimed at addressing the findings of the Department's Capability Review and the results of staff surveys;
 - Ensure that standards and values within the Cabinet Office support the aims of the Department, and good government more generally; and
 - Safeguard and enhance the Department's standards and values.
8. Members of the Board have been appointed by Sir Gus O'Donnell and are collectively responsible for providing corporate leadership to the organisation.
 9. The Cabinet Office is currently organised into three main groupings; Policy and Co-ordination, which provides policy advice to the Prime Minister, Intelligence Assessment, and Civil Service and Cabinet Office Management, which focuses on improving the capability of the Civil Service and managing the Cabinet Office's own functions.

Machinery of government changes

10. During 2006-07 the Cabinet Office experienced a number of Machinery of Government changes. On 5 May 2006 the following transfers took place:
 - the Social Exclusion Task Force transferred in from the Department for Communities and Local Government (CLG); and
 - the Active Communities Directorate transferred from the Home Office and the Social Enterprise Unit transferred from the Department of Trade and Industry to form part of a newly created Office of the Third Sector.
11. Furthermore, the Equalities Review Team transferred out of the Cabinet Office to CLG, the Civil Service Statistics function transferred to the Office of National Statistics and the

Office of Public Sector Information transferred to the National Archives.

12. On 1 January 2007, the National School of Government transferred out to become a non-Ministerial department.

Changes since the year end

13. Since the year end, there have been a number of other changes to the structure of the Cabinet Office:

- As a result of the decision to split the roles of the Privy Council Office, the Lord President's Office, the Office of the Leader of the House of Commons and the Offices of the Government Chief Whip in the House of Lords and the Government Chief Whip in the House of Commons all transferred into the Cabinet Office;
- Directgov, a website allowing public access to a wide range of public services, transferred to the Central Office of Information on 1 April 2007;
- With the change in Prime Minister, the Better Regulation Executive and oversight of the Local Better Regulation Office transferred to the newly established Department for Business, Enterprise and Regulatory Reform (BERR);
- The work of the Prime Minister's Delivery Unit was split in two, with the main PMDU concentrating on PSA delivery transferring out of the Cabinet Office to HM Treasury and the team responsible for Capability Reviews transferred into a new Civil Service Capability Group within the Cabinet Office; and
- The Commission for the Compact, the independent organisation overseeing the relationship between government and the voluntary and community sector, was launched as an Executive Non Departmental Public Body of the Cabinet Office.

Areas the Committee May Wish to Explore

- How do all the Machinery of Government changes affect the Department's ability to deliver its key priorities?
- What impact have these changes had on the Department's staff and its ability to deliver?
- Whether changes are required to the Department's organisational structure to reflect its changed responsibilities?
- How will splitting the work of the former PMDU affect the government's ability to deliver on PSAs?

Financial Review

14. The majority of the Cabinet Office's funding is provided by Parliament, and the Department is accountable to Parliament for its expenditure. The table below provides an overall summary of the Cabinet Office's income and expenditure outturn against the budget.

Table 1:		
	2006-07 Budget (£m)	2006-07 Outturn (£m)
Programme Expenditure	308	232
Administration Expenditure	256	184
Appropriation in Aid	(104)	(101)
	460	315

15. The key areas of programme expenditure for the Cabinet Office are:
 - Transformational Government (£33million expenditure during 2006-07);
 - Intelligence and Security Secretariat (£69million expenditure during 2006-07); and
 - Office of the Third Sector, which includes the Capacitybuilders and Futurebuilders programmes (£105million expenditure during 2006-07).
16. The following sections consider each area of the Cabinet Office's expenditure in greater detail, while Annex A provides a more comprehensive description of Cabinet Office expenditure.

17. During 2006-07, the Cabinet Office reported a net underspend of £145million (32 per cent) against an overall budget of £460million.
18. The main contributory factor for the overall departmental underspend is a £112 million underspend reported on the Futurebuilders programme run by the Office of the Third Sector. Futurebuilders offers loan finance for third sector organisations delivering public services. When the Home Office initially prepared the budget for this programme, it assumed that the loans offered would count as expenditure. In the event, the Cabinet Office agreed with the NAO that these loans would be more accurately recorded as an asset on the Cabinet Office balance sheet rather than be scored as expenditure. This creates much of the reported underspend.
19. Additionally there was a 3% underspend in relation to the £37 million ChangeUp programme due to some of the voluntary and community organisations in receipt of grants not having the capacity to spend or commit the money before the year end.

Activity in the Year

Transformational Government

Background

20. During 2006-07, Ian Watmore was the Permanent Secretary for Delivery and Transformation within the Cabinet Office. In June 2007 he was appointed Permanent Secretary at the new Department for Innovation, Universities and Skills.
21. Since his departure the responsibility for transformational government activity has rested with Alexis Cleveland.
22. In November 2005 the Government published *Transformational Government, Enabled by Technology*. This document set out a vision for 21st century government, requiring three key transformations:
 - Services enabled by IT must be designed around the citizen or business, not the provider, and provided through modern, co-ordinated delivery channels;
 - Government must move to a shared services culture – in the front-office, in the back office, in information and in infrastructure – and release efficiencies by

standardisation, simplification and sharing; and

- There must be broadening and deepening of government's professionalism in terms of the planning, delivery, management, skills and governance of IT enabled change.

Funding:

23. During 2006-07, the Cabinet Office spent £33million of programme funds on Transformational Government, which is an increase in spending of £1.8million on 2005-06. This increase in expenditure has been largely due to increased investments in e-Delivery.

In year activity:

IT enabled services

24. Investment in e-Delivery has expanded in an effort to increase the services available for use by government departments by using modern communication channels. This includes the creation and launch of www.intelligence.gov.uk which is a public gateway to the UK's intelligence community.
25. Throughout 2006-07, the e-delivery team has been working with a number of central and local government departments to implement an additional 50-100 services on the Government Gateway, which is a website to register for online government services.
26. The government also continued to invest in Directgov which is a service that offers a wide range of government information and services online for the public and is now one of the UK's 50 most visited sites.
27. Consumers can use www.direct.gov.uk for many facilities including applying for a driving test or student loan, or filing a tax return.

Areas the Committee May Wish to Explore

- What plans are there for developing Directgov and the Government Gateway? What will be the next services that will be offered on these sites?
- What is being done to ensure that the above are more consumer friendly?
- What is being done to promote access to these services for people without computer access?

Shared Services

28. One of the main themes that was highlighted in the Transformational Government Strategy was the need to encourage a shared service approach across government bodies to release efficiencies across the system and support delivery more focussed on customer needs.
29. The Cabinet Office's shared services team identifies ways to reduce waste and inefficiencies by reorganising or reusing assets and sharing investments with other government departments. For example processes, facilities, maintenance contracts and management effort are often likely to be duplicated across government departments.
30. During 2006-07, there were several examples of government departments adopting a shared services approach and the Cabinet Office's role has been to work closely with both the departments and the market to ensure suppliers can support the shared services agenda. For example, Transport for London believes it has saved 30 per cent on its human resources spend in the first year of operating its shared service centre
31. The Cabinet Office has also announced that, to demonstrate its own commitment to shared services, it is looking to integrate a number of backroom functions such as Finance and Human Resources with the Department for Work and Pensions in 2008-09.

Areas the Committee May Wish to Explore

- What services are most likely to be shared?
- What are the actual efficiencies delivered so far?
- Are there other methods for achieving additional efficiencies?

Professionalism in IT

32. Since 2005, over 7,000 people have registered with the government's IT Profession and a

competency framework was introduced to raise the quality and consistency of the assessment across the Civil Service. Workshops were held with the National School of Government and the Said Business School to develop a strategy for the creation of a Government IT Academy which will be finalised in 2007.

Public Service Agreements

33. Public Service Agreements (PSAs) set out each government department's aims, objectives and key outcome-based targets. They are intended to drive major improvements in outcomes and form an integral part of departments' spending plans, as set out in Spending Reviews.
34. For 2006-07, the Cabinet Office was directly responsible for the delivery of four of the 2004 Spending Review targets. One of these, PSA4, was transferred from the Home Office during 2006-07. The Cabinet Office's assessment of its current performance against each of the targets is summarised in the table below. In July 2007, the responsibility for PSA 3 was transferred to the Department for Business, Enterprise and Regulatory Reform.
35. The Cabinet Office was also responsible for one residual PSA target from the 2002 Spending Review. This outstanding SR 2002 target was to *"Ensure departments meet the Prime Minister's targets for electronic service delivery by government; 100% capability by 2005, with key services achieving high levels of use"*. The Cabinet Office reported on this for the final time in 2007 as the full survey results were not ready in time for the 2006 Departmental Report. The 2007 Report concludes that the analysis of the final data has been completed and that the target was not met.

Table 2: PSA Targets

	Cabinet Office's assessment of progress
Target 1: Improve public services by working with departments to help them meet their PSA targets, consistently within the fiscal rules. This is a joint target with HM Treasury.	On course
Target 2: By April 2008, work with departments to build the capacity of the Civil Service to deliver the Government's priorities, by improving leadership, skills and diversity. On diversity meeting the specific targets of: <ul style="list-style-type: none"> • 37% women in the Senior Civil Service (SCS); • 30% women in top management posts; • 4% ethnic minority staff in the SCS; • 3.2% disabled staff in the SCS; and • in the longer term, work to ensure that the Civil Service at all levels reflects the diversity of the population. 	On course
Target 3: By April 2008, ensure that departments deliver better regulation and tackle unnecessary bureaucracy in both the public and private sectors through: <ul style="list-style-type: none"> • reducing the overall administrative burden; • maintaining the UK's international standing on better regulation; and • improving the perception of regulation. 	Broadly on course (Too early to tell)
Target 4: Element 1: increase voluntary and community engagement, especially among those at risk of social exclusion; and Element 2: the capacity and contribution of the voluntary and community sector to deliver more public services.	Element 1: On course Element 2: Broadly on course.

36. During 2006 and 2007, the National Audit Office (NAO) carried out examinations of the data systems for the Cabinet Office's 2005-08 PSA targets.

37. Of the four PSA targets, we concluded that the data systems underpinning PSA target 3 were fully fit for purpose. For PSA targets 1, 2 and 4, we considered that the data systems addressed the majority of risks to data quality but needed strengthening to ensure that the remaining risks were adequately controlled and properly disclosed in the Department's Annual Report.

38. Further information on the Cabinet Office's performance against its 2002 and 2004 PSA targets is contained in Sir Gus O'Donnell's letter of 19 October to the Chairman of the Committee.

to 30 across government, which are designed to set out the government's key priority targets for the period 2008-11. The new PSAs are grouped under the following categories:

- Sustainable growth and opportunity (7 PSAs);
- Fairness and opportunity for all (10 PSAs);
- Stronger communities and a better quality of life (9 PSAs); and
- A more secure, fair and environmentally sustainable world (4 PSAs).

40. The Cabinet Office is the lead department responsible for one of the new PSAs in the "fairness and opportunity for all" category. This is the target to increase the proportion of socially excluded adults in settled accommodation and employment, education and training.

Comprehensive Spending Review 2007

39. In October 2007 the government announced the results of the 2007 Spending Review. This included reducing the overall number of PSAs

Areas the Committee May Wish to Explore

- What levers does the Cabinet Office have to influence other departments' performance against PSAs?
- Were the Cabinet Office's own 2004 PSA's 1, 3 and 4 too general and unspecific to effectively measure performance?

Intelligence and Security Secretariat

Background

41. The Cabinet Office plays a central role in planning for emergencies and works with other government departments to ensure that the UK is prepared to deal with unexpected events. Sir Richard Mottram is currently the Permanent Secretary for Intelligence and Resilience.

Funding:

42. Total programme funding in 2006-07 was £69million, which represented a £48million increase in the expenditure on the Intelligence and Security Secretariat from 2005-06.

In year activity

43. The in year activities for this area will be reviewed by the House's Intelligence and Security Committee. The Intelligence and Security Committee (ISC) was established by the Intelligence and Security Act 1994 to examine the policy, administration and expenditure of the Security Service, Secret Intelligence Service (SIS), and the Government Communications Headquarters (GCHQ).
44. The Committee has developed its oversight remit, with the Government's agreement, to include examination of the work of the Joint Intelligence Committee, and the Intelligence and Security Secretariat of the Cabinet Office.

Third Sector Support

Background

45. The Office of the Third Sector (OTS) was created in May 2006 when the Active Communities Directorate of the Home Office, and the Social Enterprise Unit in the Department for Trade and Industry (DTI) were amalgamated. The decision to place the new OTS in the Cabinet Office was taken in recognition of the increasingly important role

the third sector plays in both society and the economy.

46. OTS currently employs around 55 staff. In recent months OTS's structure has been reorganised by its Director General, Campbell Robb, who was appointed in October 2006. The new structure comprises five teams each headed by a deputy director:

- Participation Team – dealing with volunteering, charitable giving and community action;
- Public Sector Partnership Team – dealing with government relationships and public service delivery;
- Social Enterprise and Finance Team – dealing with policies for financing the sector and promoting social enterprise;
- Third Sector Support Team – dealing with third sector capacity and regulation; and
- Strategy and Communications

Funding:

47. OTS's work comprises policy co-ordination activities to influence the rest of government but which involve little direct spending. OTS also oversees expenditure on a few major programmes, either directly or through sponsored bodies. Total OTS programme expenditure in 2006-07 was £105 million.
48. One major programme, the Futurebuilders investment fund, is an experimental programme designed to support third sector organisations (TSOs) in securing contracts for the delivery of public services. It was developed to test the effectiveness of loan finance within the third sector and to build the capacity of TSOs with the potential to deliver innovative public services.
49. An independent company, Futurebuilders England Limited, was formed to manage the fund up to March 2008 by the consortium that won the tender. Futurebuilders England Ltd appraises applications from TSOs and awards grants and loans, the funding for which is transferred by OTS into a trust account held outside government by Charity Bank at the Co-operative Bank. Draw down of this funding to pay out to recipients can take place over several years after the offer is made.

50. Cumulative commitments as at 31 March 2007 stood at £73 million with £12m actually paid out to third sector recipients. Futurebuilders England expect to commit a further £61 million in 2007-08. Futurebuilders is overseen by the Social Enterprise and Finance Team in the OTS, and the Futurebuilders Advisory Panel – an advisory Non Departmental Public Body (NDPB).
51. Another major programme is OTS's support for ChangeUp; a strategy to improve capacity building support services provided to the sector. ChangeUp was launched in June 2004 and managed by the Home Office. Since April 2006 this programme has been managed by Capacitybuilders, an Executive NDPB. The total ChangeUp programme investment for 2004-2008 is £150 million with a further £88m announced over the 2007 CSR period (2008-11).
52. Capacitybuilders is currently reviewing the delivery structures for ChangeUp. The emphasis of future plans will be on ensuring that infrastructure bodies are providing practical, tangible projects and programmes of direct benefits to the front line and communities.
53. The other significant development is 'v', a new youth-led charity launched in May 2006 with the promise of 'up to' £100 million funding between 2006-07 and 2008-09 (£26 million was spent in 2006-07). Other, smaller programmes raise awareness of volunteering opportunities and recruit volunteers from various groups such as those at risk of social exclusion.
54. The National Audit Office is currently working on a Value for Money report covering both Futurebuilders and ChangeUp, which we expect to publish in Spring 2008 and to submit to the Committee of Public Accounts. The NAO will also be carrying out a value for money study on OTS's programmes on Encouraging Volunteering during the 2008-09 financial year.
55. In addition to its sponsorship of the capacity-building and volunteering programmes described above, OTS also worked in 2006-07 on various other objectives which involved relatively little direct programme expenditure. These included the encouragement of effective partnerships between the public and third sectors, promotion of social enterprise, development of the legal and regulatory framework for the sector and promotion of charitable giving.
56. OTS influences and coordinates the work of other government departments, NDPBs and agencies who work with TSOs, particularly in policy areas where the third sector has an important role such as health and social care, community development and welfare-to-work. OTS is also responsible for monitoring progress by government as a whole against the Compact; a 1998 agreement between government and the third sector on better partnership working. Since this agreement was made, it has been assessed annually through a joint review meeting. The review meeting reports on progress and agrees a joint action plan for the forthcoming year. Through the review meeting, consensus has been reached on further measures to strengthen the Compact, such as through the establishment of a Commission for the Compact. The recent third sector review renewed the commitment to work with the Commission and the sector in reviewing the Compact to further strengthen the partnership.
57. The Commission for the Compact is an executive NDPB, funded by the OTS and launched in April 2007 to be a champion of the Compact, to independently oversee the implementation of the Compact and act as an honest broker between the sector and Government. The Commission's head, John Stoker, and its chief executive, Angela Sibson, have both resigned in recent months and their posts have been filled by interim replacements. The interim team is already making progress and the recruitment process to fill the post of Commissioner has commenced, with interviews scheduled for mid- December. The process to recruit a permanent CEO will commence in the Spring.
58. OTS also works closely with HM Treasury to implement various cross-government objectives, which were set in a series of HM Treasury reviews of the third sector's role and in an action plan published in December 2006. The most recent Treasury review was published in July 2007 as part of the Comprehensive Spending Review 2007. It set out a long-term vision for the relationship between the sector and government, emphasising the sector's various roles in campaigning and advocacy as well as in the delivery of public services.

In year activity

55. In addition to its sponsorship of the capacity-building and volunteering programmes described above, OTS also worked in 2006-07 on various other objectives which involved relatively little direct programme expenditure. These included the encouragement of effective partnerships between the public and third

59. The main conclusions outlined in the report are the need to help give third sector organisations a greater voice and to work with the sector to strengthen communities, transform public services, encourage social enterprise and support the conditions for the sector to thrive. In doing so the Government has committed to:

- increase investment in endowments for community foundations to make sure they can provide grants in the future for community groups, and increase investment in community anchor organisations and community asset and enterprise development. In addition, the Government will provide additional resources for youth volunteering.
- build the capacity of third sector organisations to improve public services, though the Futurebuilders England Fund;
- invest new resources in developing third sector infrastructure through the Capacitybuilders agency, and continue to focus on the Compact as a means to build the relationship between the third sector and all levels of Government.

Areas the Committee May Wish to Explore

- How much and through which mechanisms will Community Foundation endowments be made?
- Are these measures effective and do they ensure value for money?
- How far were third sector organisations consulted in this review?
- How successful are the Futurebuilders and Capacitybuilders programme at actually getting funds to the third sector?
- Are there any mechanisms for measuring what happens to the funds once they are given out to the third sector?
- How will the Cabinet Office measure the success of these projects?

Policy and Co-ordination Activity

60. In June 2007, the Cabinet Office set up a new structure to strengthen the existing policy, strategy and co-ordination role within the Department. This includes a number of groups designed to support the Prime Minister in determining and delivering policy. They include the Strategy Unit, which supports the Government by analysing major policy issues

and designing strategic solutions. It also includes the following activities.

Social Exclusion

61. In June 2006, the Social Exclusion Task Force was established to tackle issues around those members of the public most likely to become outcasts in society. The Task Force brings together and supports the relevant departments to champion the needs of the disadvantaged in society.
62. The Task Force published *Reaching Out: An Action Plan on Social Exclusion* on 11 September 2006, with contributions from many departments. This document sets out how government intends to address the most socially excluded members of society.
63. As well as the Action Plan and a series of pilot projects, the Social Exclusion Task Force is running a Families at Risk Review to look at how best to provide an effective family support system for excluded and at-risk families. It organised three regional conferences in March 2007 to update stakeholders on progress, gain buy-in from the front line, and gather evidence for the Review.

Policy Review Working Groups

64. The Cabinet Office has five Policy Review Working Groups which examine long term, cross cutting policy changes:
- Energy and the Environment;
 - The role of the State;
 - Britain in the World;
 - Security, Crime and Justice; and
 - Public services.

Areas the Committee May Wish to Explore

- How is the Government proposing to deal with Social Exclusion?
- How well can the activities of all the agencies involved be co-ordinated?
- What are the outcomes of the policy review working groups and how do they impact on government policy?

Other Activities

Government Communications

65. Howell James is the Permanent Secretary for Government Communications. He is responsible for the strategy, coordination and effectiveness of government communication across Whitehall. The creation of this post was one of the key changes recommended by the independent review of government communications led by Bob Phillis, Chief Executive of the Guardian Media Group in February 2003.

Better Regulation Executive

66. The Better Regulation Executive leads the government's work to promote better regulation. This means addressing regulation that is badly designed, outdated, ineffective or bureaucratic without compromising the protection that regulation provides. The Executive Chair is William Sargent who was a member of the Cabinet Office Board until the Executive was transferred to the Department for Business, Enterprise and Regulatory Reform in June 2007.
67. Often businesses and third sector organisations complain that enforcement of regulations can be inconsistent in different parts of the country and that some authorities lack the capacity and skills to enforce regulation effectively. The Better Regulation Executive has worked throughout 2006-07 on a number of measures to improve these processes.
68. One of these measures was to set up the Local Better Regulation Office (LBRO). The objective of LBRO is to secure improvement in local authority regulatory services and to deliver a significant reduction in burdens on compliant businesses. LBRO is a government owned company limited by Guarantee and it has now been transferred to the Department for Business, Enterprise and Regulatory Reform.

Prime Minister's Office

69. The Prime Minister's Office is a management unit of the Cabinet Office, managing both Number 10's direct responsibility to the Prime Minister and the wider Department's activity to support the work of the Cabinet.

Business Support

70. The Cabinet Office had around 1,600 full-time equivalent staff in 2006-07 compared to 1,770 staff in 2005-06. The total cost of these staff in 2006-07 was some £90.5million. The other annual running costs of the Department are around £94million compared to £110million in 2005-06. This other expenditure covers accommodation, IT related costs and travel and subsistence costs.
71. The Department has an Internal Audit Service which provides an independent opinion on the adequacy and effectiveness of the Department's risk, control and governance arrangements. The Cabinet Office's Statement on Internal Control reflects the findings from Internal Audit's 2006-07 report, which concluded that only limited assurance could be placed on the risk management processes and systems of internal control within the Department as further work was needed to embed risk management across the Cabinet Office. The Department has agreed actions to address these issues and progress will be monitored by the Cabinet Office Audit and Risk Committee.
72. The Comptroller & Auditor General (C&AG) gave an unqualified opinion on the 2006-07 financial statements of the Cabinet Office.
73. During 2006-07, external reviewers supported by the Prime Minister's Delivery Unit conducted a Capability Review of the Cabinet Office itself. The review indicated two main areas where the Cabinet Office needed to focus its efforts. Firstly, the review identified the need for the Cabinet Office to maximise its effectiveness as a central government department. The Capability Review also highlighted the need for greater clarity about the role and functions of the Cabinet Office. In response to this the Cabinet Office accepts that it needs to be clearer with departments on when it influences, negotiates and co-ordinates or directs. Secondly, the review also set out a need to improve the internal management and cohesion within the Department.
74. In response to the need to improve the internal management and cohesion within the department, the Cabinet Office's action plan includes a focus on raising the performance of internal corporate services. To do this the Department has established a new management committee reporting to the Board, put a greater focus on developing staff within

the Cabinet Office and appointed a director level change manager to draw up and oversee the implementation of this action plan.

Areas the Committee May Wish to Explore

Risk Management

- Why do the Cabinet Office's risk and internal control systems appear less developed than those in other government departments?
- What is the Cabinet Office doing to address these issues?

Capability Review

- What progress has been made on clarifying the Cabinet Office's role?
- How is the Cabinet Office helping to improve government delivery?
- How will the Cabinet Office measure its progress on influencing the rest of government?
- What changes are being made within the Cabinet Office's corporate services to make them more effective?

Future Plans of the Cabinet Office

75. The Cabinet Office has agreed a Comprehensive Spending Review 2007 settlement, which will see its administration budget reduce by 5 per cent each year through to 2010-11. In order to achieve this, the Cabinet Office will need to be more strategic, sharpening core functions and making efficiency gains. There has already been a 15% reduction in administration costs between 2005-06 and 2006-07.

76. The Cabinet Office has the following on-going projects which aim to reduce administration costs.

- **Improved Procurement.** An Investment and Procurement Team has been created to improve investment decision making and strengthen project, programme and procurement capability in the Cabinet Office. This Team has now implemented some new procurement processes and further changes are planned.

- **Information and Communication Technology (ICT).** The Cabinet Office has negotiated changes to the scope and pricing of its IT services. It is now developing a project to put in place a new IT services contract, and efficiencies will be delivered from 2007-08. These are estimated at around £2 million per annum.
- **Communications.** Further efficiency savings will be delivered by the Better Internet Project which has unified more than 60 existing websites managed across the Department into a single site.

Progress on Gershon and Lyons Targets

77. The Cabinet Office reported that it had generated efficiency savings of £15.9 million to 31 March 2007, against the Gershon target to deliver total savings of £25 million by 31 March 2008. Further details on efficiency savings are contained in Sir Gus O'Donnell's letter of 19 October to the Chairman of the Committee.

78. The Cabinet Office's performance on relocation and headcount reduction targets are set out below:

- **Relocation.** To date, 41 posts have been relocated against an original target to relocate 250 posts by 31 March 2008. A recent review has concluded that, due to changes in the structure and function of the Cabinet Office since the Lyons Report was published in 2004, continued opportunities for further relocations are limited. The review recognised that the Cabinet Office had made efforts to achieve its target and the business cases for some units would be re-examined.
- **Reduction of Cabinet Office Headcount.** The Cabinet Office plans to reduce its headcount by 250 posts by 31 March 2008. As at 31 March 2007, the Department reported it had reduced the headcount by 105 posts. It aims to remove further posts through a number of projects, particularly building a leaner and more efficient centre of government.

Areas the Committee May Wish to Explore

- Is the Cabinet Office being unambitious on its proposals for relocation, e.g. why does the Office of Third Sector need to be in London?
- What are the targets for staff reductions and which areas will they come from and how will this be achieved?
- What further work will the Investment and Procurement Team be doing?
- If a 15% administration efficiency was achieved in 2006-07, does this indicate that the Cabinet Office was inefficient in the past?

ANNEX A: CABINET OFFICE EXPENDITURE ANALYSIS

The table below summarises the movements in the programme and administration expenditure between 2005-06 and 2006-07.

Source: Cabinet Office Departmental Report 2007 www.cabinetoffice.gov.uk and the 2006-07 Annual Report and Accounts.

Table 3: Expenditure Analysis					
	2006-07		2005-06		
	£000	£000	£000	£000	% Change
Programme expenditure					
Third sector support		105,468		105,196	0.26
Capacitybuilders	37,300		59,392		-37
Futurebuilders	42,310		11,078		282
Other	25,858		35,356		-27
Transformational Government		33,211		31,417	6
Intelligence and Security Secretariat		68,918		20,620	234
Non-cash items		20,200		6,523	-36
Other		4,197		32,054	-37
Sub Total		231,994		195,810	18
Administration expenditure					
Rentals under operating leases		14,384		13,693	5
Non-cash items		14,487		16,166	-10
Other		64,883		80,460	-19
Sub Total		93,754		110,319	-15
Staff Costs		90,506		92,647	-2
TOTAL GROSS COSTS		416,254		398,776	4

The 2005-06 figures have been included to reflect the comparative figures for 2006-07.