



National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

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Memorandum on the 2012 Civil Service Reform Plan

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National Audit Office

Memorandum on the 2012 Civil Service Reform Plan

Report by the Comptroller and Auditor General

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Amyas Morse
Comptroller and Auditor General
National Audit Office

21 January 2013

The government published its Civil Service Reform Plan in June 2012. It followed the publication of the 2011 Open Public Services White Paper which called for a smaller, more strategic civil service that does less centrally, and commissions more from outside.

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The National Audit Office study team
consisted of:

Hedley Ayres, Jonathan Bayliss,
Antonia Gracie, Sarah Lawrence,
Callum Saunders, Karmen Tse,
under the direction of Keith Davis.

This report can be found on the
National Audit Office website at
www.nao.org.uk/civil-service-reform-2013

For further information about the
National Audit Office please contact:

National Audit Office
Press Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Enquiries: www.nao.org.uk/contactus

Website: www.nao.org.uk

Twitter: @NAOorguk

Key facts

459,000

civil servants in 2012

106

departments and other
bodies they work in

439

ideas for improvement
that civil servants sent in
to the Tell Us How website

£16 billion annual spend on civil service pay

£80 billion cost reductions required between 2010 and 2015

110,000 government estimated reduction in number of full-time equivalent
civil servants between 2010 and 2015, equivalent to 23 per cent

4 per cent of civil servants work in developing policy

58 per cent of civil servants work in delivering services

73 per cent of civil servants are based outside London and the South East

Summary

The Civil Service Reform Plan in context

1 The government published its Civil Service Reform Plan (the Plan) in June 2012.¹ It followed the publication of the 2011 Open Public Services White Paper which called for a smaller, more strategic civil service that does less centrally, and commissions more from outside.

2 The Plan has many themes in common with previous initiatives that attempted to reform the civil service, and adapt it to the changing needs of governments and public service users, but is arguably the broadest such reform programme since 1968. Delivering it successfully is both more urgent and more challenging because of the environment in which the civil service is working: the need for deep and sustainable reductions in cost; the need to radically change the way services are delivered for a devolved, digitised nation; and the need to rapidly develop and deliver major policies to stimulate growth.

3 The work of the National Audit Office (NAO) and the Committee of Public Accounts (the Committee) focuses on improving value for taxpayers' money across the whole of government. Our work has repeatedly highlighted the need for more radical approaches to reducing government's cost base. We have made clear that reform and innovation, based on clear objectives and financially literate decision-making, are essential if the government is to succeed in delivering improved public services at significantly less cost. We therefore strongly support the ambition of the Plan.

Purpose of this Memorandum

4 This Memorandum is intended primarily to inform the Committee's discussions with the leadership of the civil service about the Plan. Given that the Plan is less than a year old, it is not an evaluation of the reforms in the Plan, the progress made against them, or the implementation arrangements in place. It is designed to support the Committee to engage with the breadth of the Plan, so that they can use their influence to help ensure that its implementation improves efficiency, reinforces Parliamentary accountability and protects value for taxpayers and citizens.

¹ Available at: www.civilservice.gov.uk/reform

5 In Part One, we examine the background to the Plan, its aims, and the lessons from past reforms. Part Two sets the Plan in the context of our and the Committee's work and our key concerns about government. In Part Three, we set out, to the extent that they are in place, the implementation arrangements for the Plan, the governance, timetable and resources. We also identify important risks and challenges that government should consider as it develops these arrangements.

Our methodology

6 Our approach to compiling this Memorandum involved:

- a high-level review of past reforms and efficiency initiatives in the civil service;
- a detailed review of recent NAO and Committee work to identify underlying themes affecting the civil service's performance;
- discussions with, and analysis of information provided by, the Reform team in the Cabinet Office; and
- interviews with non-executive directors and director general-level civil servants in central government departments, for context.

Key observations

7 Examining government programmes and projects through the value for money 'lens', we consistently see the same fundamental management weaknesses underlying government's failure to optimise value for money:

- Departments have tended to lack a clear **strategic vision** of what they are there to do, what they are not, and the most cost-effective way of delivering it. Without this clear vision, they find it difficult to weigh conflicting priorities and to get the best possible value from each pound spent.
- There is a vacuum in good quality **management information**, both financial and non-financial, which undermines good decision-making. This means that business planning for new programmes or projects may be based on insufficient information about the likely costs and benefits. And without robust information, departments cannot effectively track delivery, and correct or change course where necessary, to ensure value for money is delivered.
- The centre of government has yet to perform effectively in its **corporate role**. The Cabinet Office and HM Treasury (the strategy and finance departments of government respectively) have tended to operate separately and lacked the leverage or information to manage the 'corporate' position, resulting in poor overall value for money in a range of areas.

- Partly because of the above factors, there are weaknesses in **accountability** of civil servants, and the arrangements have become outdated. Parliament has become frustrated by its inability to find individuals to take responsibility for delivering value for money.
- Despite many attempts to **join up public services** around the user, working across departmental boundaries is still hampered by budgetary and cultural barriers, and the difficulty of making shared accountability for value for money work.
- The civil service lacks the **skills** it needs to deliver modern government. Monitoring and managing for value for money in a highly devolved landscape of commercial relationships and digital delivery requires specialist skills, but the civil service has not taken a strategic approach to obtaining these.

8 Some progress in important areas has already been made. Significant changes include the creation of the Cabinet Office Efficiency and Reform Group. The Group took a lead in coordinating the civil service's rapid response to cost reduction, achieving a real-terms reduction in 2010-11 of £7.9 billion. The Group has been working to improve the quality of management information gathered by departments, and taking a more corporate approach to coordinating and analysing it. The Cabinet Office has also been working to strengthen government human resources and finance functions through the creation of Next Generation HR shared services in 2010 and the Finance Transformation Programme in 2011.

9 In addition, the creation of the Major Projects Authority in 2010 is an important step in driving improvements to the performance of government's largest projects. The 2012 Olympics provides an example from which lessons can be learned on securing the right capabilities to deliver complex programmes requiring commercial expertise. It was also an example of how the civil service can work effectively across departmental boundaries.

10 Building on this, the Plan makes clear commitments to act firmly and urgently in all the above areas of weakness, which is encouraging. However, attempts to make these kinds of changes are not new. A range of initiatives over the last half-century have addressed similar issues. Although there has been much progress, the key problems remain, and are more highly complex and more difficult to shift than would be the case in a commercial organisation. Previous reforms have tended to fall short of real transformation because of a lack of sustained political leadership, a lack of engagement of civil servants within departments in driving change themselves, and a lack of clarity and rigour in targeting and tracking the benefits.

11 Immediately after the Plan's publication in June 2012, there was a hiatus while a team was assembled to take forward implementation. The Cabinet Office has now set up a team, under a new Director General for Civil Service Reform. The detailed plans, including identifying actions and action owners, governance, communications objectives, and a framework for tracking benefits, are being completed, but some deliverables, such as the civil service Capability Plan, have slipped. Given the need for improved government efficiency to protect the value delivered for taxpayers and citizens with reduced funding, making these reforms work is urgent and the role of the Cabinet Office crucial. Drawing on the lessons of the past, we set out below some important elements to drive success.

Our view of the priorities for leading the change

12 For Whitehall's political and civil service leadership:

- Communicate clearly what the government wants from the civil service of the future, and engage departmental ministers, politicians, civil servants, private and third sector partners, and the public with that goal.
- Leading by example, create a culture that expects robust financial, performance and risk information to support every decision.

13 For the Cabinet Office:

- Provide practical support to departments to help them follow through with the adoption of continuous improvement techniques.
- Leading by example, drive a change of civil service culture towards much greater sharing of knowledge, expertise and learning across departments.
- Work with the Treasury to remove obstacles to integration and collaboration between departments, such as those within the budgeting system.
- Provide strategic coordination, clear measures of success, and robust tracking of progress against the Plan.

Part One

Reform of the civil service – context and history

Context for the current Civil Service Reform Plan

1.1 The 2012 Civil Service Reform Plan (the Plan) comes against a climate of severe financial challenge. The majority of departments face real-terms budget reductions of a fifth or more over the four-year period under the Spending Review 2010, and the Autumn Statement 2012 has announced further reductions.² We found that central government departments had taken effective action in 2010-11 to reduce costs and managed within reduced spending limits, with half the savings (some £3.75 billion) coming from cuts in back office and avoidable costs. But they were less well placed to cut spending by the necessary further 19 per cent over the four years because they had not developed long-term lower-cost operating models.²

1.2 Meanwhile, technological change means that many citizens no longer expect to engage with government in traditional ways, preferring digital communication, while conversely, others who are not online are already being excluded from services altogether. In addition, the government is committed to further decentralisation of control. As Sir Bob Kerslake, Head of the Civil Service, sets out in his foreword to the Plan, the civil service is ‘facing unprecedented challenges which call for profound change ... The civil service of the future must look radically different.’

1.3 The government’s 2011 Open Public Services White Paper set out the government’s vision for public services. It envisages increasing choice in public services ‘wherever possible’, and opening up more services to a range of providers. The Plan makes clear that the government expects to see a different operating model: ‘The civil service will become smaller and more strategic’; ‘do less centrally and commission more from outside’; and ‘transform how it delivers information and transactional services ... taking a Digital by Default approach by 2015’.

² Comptroller and Auditor General, *Cost reduction in central government: summary of progress*, Session 2010–2012, HC 1788, National Audit Office, February 2012.

1.4 The 2012 Plan draws together a broad range of themes including: digital government, management information, accountability, policy development, skills, leadership, and employment terms and conditions. The development of the Plan was driven by the Minister for the Cabinet Office and the Head of the Civil Service, with a small team in the Cabinet Office. There was extensive consultation across the 'Top 200' senior civil servants and five working groups, each headed by a permanent secretary. Wider feedback was also sought through the Civil Service People Survey and at Civil Service Live events. Also, in March 2012, the Cabinet Office invited all civil servants to suggest improvements through the 'Tell us How' programme.³ This ground-up approach means the Plan encompasses both large and small reforms. It also pulls together initiatives that were already under way, such as the Finance Transformation Programme.⁴

Lessons from past reform in the civil service

1.5 The last half-century has seen a series of efficiency and reform programmes in the civil service (**Figure 1**). During that time the civil service has seen a reduction in numbers (especially since 2004) and an increasing emphasis on specialist professional skills and delivery, but retains the core principles, including that of political neutrality, set out by Northcote and Trevelyan in 1854 (Appendix One).

1.6 Although they came against different economic and political backgrounds, the various reform initiatives have had a number of common themes, all of which feature also in the current Plan. In his introduction, the Minister for the Cabinet Office acknowledged the need to 'address persistent weaknesses that downsizing has exposed more starkly'. He also emphasised that the Plan was intended to help government catch up with the digital age, where it has 'lagged far behind'.

3 Tell us How was launched by the Cabinet Office in October 2011, giving civil servants the chance to have their ideas heard and considered at the centre of government and provide insights into ways of improving productivity and efficiency.

4 Available at: www.thegfp-treasury.org/finance_transformation_program.aspx

Figure 1

Themes in civil service reform

	Reform	Recommended improvements in:	Changes achieved:
1968	The Committee on the Civil Service (the Fulton Report)	<ul style="list-style-type: none"> • Skills • Management and leadership • Grade structure • Interaction with private sector 	<ul style="list-style-type: none"> • Simplification and opening up of grade structure.
1979	Rayner Scrutinies	<ul style="list-style-type: none"> • Efficiency savings 	<ul style="list-style-type: none"> • Established the principle of scrutinising a department's efficiency through peer review.
1983	Financial Management initiative	<ul style="list-style-type: none"> • Skills • Measuring performance • Accountability 	<ul style="list-style-type: none"> • Established the principle that civil servants should have clear objectives and the means to measure outputs or performance against them.
1988	The Next Steps initiative (Ibbs Report)	<ul style="list-style-type: none"> • Efficiency savings • Measuring performance • Accountability 	<ul style="list-style-type: none"> • Separated out 'delivery' activities from policy, in executive agencies. • Further progress on clarity of objectives and performance.
1999	Modernising Government programme & Civil Service Reform Programme	<ul style="list-style-type: none"> • Leadership • Business planning • Performance management • Collaborative working and talent management • Diversity 	<ul style="list-style-type: none"> • Public Service Agreements between departments and HM Treasury. • Established Centre for Management and Policy Studies (later the National School of Government), to spread best practice.
2004	Lyons and Gershon reports	<ul style="list-style-type: none"> • Skills • Leadership • Efficiency savings • Corporate approach to procurement and property • Scope for integrating functions 	<ul style="list-style-type: none"> • Established the case for a strategic approach to back-office functions.
2005	The Capability Review programme	<ul style="list-style-type: none"> • Interaction with private sector • Focus on the user/citizen 	<ul style="list-style-type: none"> • Introduced peer-led reviews that challenged departments' overall performance. Results published.
2010	New departmental boards	<ul style="list-style-type: none"> • Accountability and governance 	<ul style="list-style-type: none"> • Ministers to chair boards. • Stronger role for non-executives.
2011	Corporate governance code of good practice	<ul style="list-style-type: none"> • Leadership • Accountability and governance 	<ul style="list-style-type: none"> • Boards to supervise departments on: strategic clarity, commercial sense, staff skills, results focus, management information.

Source: National Audit Office analysis

1.7 Research suggests that achieving lasting change in the civil service requires strong, sustained political leadership, and an approach of departments driving change from within.⁵ The work of the NAO shows, further, that previous initiatives tended to lack rigour in the identification and tracking of benefits, which may help explain why they did not always achieve real transformation:

- In 2009, we evaluated the first round of Capability Reviews. These reviews represented a significant change of mindset, with departments submitting to published assessment of their leadership, strategy and delivery by independent peer-led teams. Departments gave the reviews a high priority, and they made many useful recommendations. However, they failed to show any clear impact on outcomes, lacking reliable metrics to track progress and to separate their impact from that of other activities.⁶
- When looking in 2006 at progress in improving government efficiency following the Gershon Report, we again highlighted problems with measuring savings, as well as the need for greater strategic leadership from the centre and more proactive support to departments. We did not find efficiency being embedded into ‘core business’ – it tended to be treated as a separate ‘add on’ programme.⁷
- On the Modernising Government programme in 2001, we stressed that for departments to make informed decisions about policies, they needed more reliable and sensitive data on current performance, in particular about the outcomes their policies were achieving.⁸
- In 1988, we found arrangements to establish the new Next Steps agencies were working, but the government had set no overall targets or estimates for the expected improvements in services or financial savings.⁹
- In 1986, we examined the effectiveness of the Rayner Scrutiny programme.¹⁰ We found 155 scrutiny projects had identified potential savings of £421 million a year; but less than half had actually been achieved. It was difficult to demonstrate that savings were due to efficiencies, rather than general budgetary pressures.

5 Dr C Haddon, ‘Changing the change-makers’, *Civil Service World*, 21 October 2010, available at: www.instituteforgovernment.org.uk, accessed 17 January 2012.

6 Comptroller and Auditor General, *Assessment of the Capability Review programme*, Session 2008-09, HC 123, National Audit Office, February 2009.

7 Comptroller and Auditor General, *Progress in improving government efficiency*, Session 2005-06, HC 802, National Audit Office, February 2006.

8 Comptroller and Auditor General, *Modern Policy-Making: Ensuring Policies Deliver Value for Money*, Session 2001-02, HC 289, National Audit Office, November 2001.

9 Comptroller and Auditor General, *The Next Steps Initiative*, Session 1988-89, HC 410, National Audit Office, June 1989.

10 Comptroller and Auditor General, *The Rayner Scrutiny Programmes, 1979 to 1983*, Session 1985-86, HC 322, National Audit Office, March 1986.

Part Two

The Civil Service Reform Plan and improving value for money in government

2.1 The work of the Committee and the NAO is concerned with improving the value for money of public services. Where we have concluded that government has not optimised value for money, we have consistently found the same weaknesses in departments and across the public service delivery chain:

- lack of a clear **strategic vision** in departments;
- a vacuum in good quality **management information**;
- the centre of government has yet to perform effectively in its **corporate role**;
- weaknesses in **accountability** of civil servants;
- failure to **join up public services** around the user; and
- gaps in the **skills** the civil service needs to deliver modern government.

This part draws together our evidence in these areas, recent progress, and how the Plan addresses each one. The NAO will be reporting in detail in 2013 on a number of these areas, including: integration in government, the role of the Efficiency and Reform Group, information in government, financial management and senior civil service capability.

Strategic vision and leadership in departments

2.2 Departments have tended to lack a clear strategic vision of what they are there to do, what they are not, and the most cost-effective way of delivering it. Without this clear vision, they find it difficult to weigh conflicting priorities and to get the best possible value from each pound spent. A number of departments are now engaged in developing fundamentally new operating models, while cutting staff numbers, a challenge which requires strong leadership and a clear vision.

2.3 In reviewing departments' programmes of cost reduction, we found evidence of some good work on transforming the overall delivery model and redesigning working practices.¹¹ However, progress with radical redesign has been slow because of:

- the lack of good cost and impact information, and a lack of clear performance priorities;¹²
- a lack of both digital capability within departments and a consistent approach to digital services, resulting in a relatively slow uptake by users; and
- poorly integrated strategic planning in departments and agencies that does not cut across organisational boundaries or internal silos enough to identify all the options for transformation. Overall, only 5 per cent of savings proposed in departments' Spending Review 2010 settlements were based on fundamental, transformational reforms.¹³

2.4 The urgency of delivering cost savings without a clear vision brings risks – in March 2012, we reported that while departments had managed to release a large number of staff through early departures, unless they embedded redesign of the business, the numbers could increase again or services suffer.¹⁴ Leading transformation to a new operating model also requires strong change management skills, but civil servants consistently rank the performance of their leaders in managing change at a low level (37 per cent satisfaction).¹⁵ Moreover, the recent high turnover of permanent secretaries is a concern.

What the Plan says

2.5 The Plan acknowledges that 'leadership of change needs to be much stronger'. The Cabinet Office is developing and piloting a new departmental improvement model against which departments will be annually assessed. It will be built on four elements of organisational performance: performance on progress and outcomes; efficiency and innovation; capability; and strategic risk and leadership of change. In November 2012, the Cabinet Office told the Committee that it was reviewing the first seven departments' long-term operating models, and would report to the Committee on these during 2013.¹⁶

11 Comptroller and Auditor General reports, *Managing change in the Defence workforce*, Session 2010–2012, HC 1791, National Audit Office, February 2012; *Child Maintenance and Enforcement Commission: cost reduction*, Session 2010–2012, HC 1793, National Audit Office, February 2012; and *The UK Border Agency and Border Force: Progress in cutting costs and improving performance*, Session 2012–13, HC 467, National Audit Office, July 2012.

12 Comptroller and Auditor General, *Cost reduction in central government: summary of progress*, Session 2010–2012, HC 1788, National Audit Office, February 2012.

13 Comptroller and Auditor General, *Managing budgeting in government*, Session 2012–13, HC 597, National Audit Office, October 2012.

14 Comptroller and Auditor General, *Managing early departures in government*, Session 2010–2012, HC 1795, National Audit Office, March 2012.

15 Civil Service People Surveys 2009–2011.

16 HM Treasury, *Government responses on the First to the Fourth and on the Sixth to the Tenth Reports from the Committee of Public Accounts: Session 2012–13*, Cm 8467, November 2012. The seven departments are: HM Revenue & Customs, Ministry of Defence, Department for International Development, Cabinet Office, Department of Health, Department for Communities and Local Government, and Foreign and Commonwealth Office.

Information for making decisions and managing performance

2.6 There is a vacuum in good quality government management information, both financial and non-financial, that undermines good decision-making. It means that business planning for new policy programmes or projects may be based on insufficient information about the likely costs and benefits. Without robust information, departments cannot effectively weigh up risk and reward to make good decisions, track performance, and correct or change course where necessary to ensure value for money.

2.7 This issue has been raised repeatedly, most recently by Lord Heseltine in his independent report on economic growth.¹⁷ We have frequently made recommendations about improving the quality, comparability, timeliness or completeness of management information in departments.¹⁸ It remains unusual for departments to have useful information on the unit costs of outputs, measures of productivity or the value of outcomes. This information is regarded as basic to the management of any successful business.¹⁹

2.8 We reported in 2010 on the continuing weaknesses in the design and operation of performance measurement frameworks in government and the urgent need for improvement.²⁰ In 2011, the Committee, examining the revised arrangements for departmental business planning, pointed to the need for 'precise performance objectives, and an alignment of activity, cost and results information. Without such alignment we will not be able to analyse value for money or frame fair comparisons.'²¹

¹⁷ The Rt Hon the Lord Heseltine of Thenford CH, *No Stone Unturned in Pursuit of Growth*, October 2012.

¹⁸ For example: *Recruiting Civil Servants Efficiently*; *Assessment of the Capability Review programme*; *Measuring Up: How good are the government's data systems for monitoring performance against Public Service Agreements?*; *Managing staff costs in central government*; *Identifying and meeting central government's skill requirements*; *Improving the efficiency of central government's office property*; *Restructuring of the National Offender Management Service*; *Improving the delivery of animal health and welfare services through the business reform programme*.

¹⁹ Comptroller and Auditor General, *Progress in improving financial management in government*, Session 2010-11, HC 487, National Audit Office, March 2011.

²⁰ Comptroller and Auditor General, *Taking the measure of government performance*, Session 2010-11, HC 284, National Audit Office, July 2010.

²¹ HC Committee of Public Accounts, *Departmental Business Planning*, Thirty-seventh Report of Session 2010-2012, HC 650, May 2011.

2.9 Without reliable data and monitoring systems we concluded that the centre of government does not yet understand the capacity of its departments to reduce costs, and they in turn do not fully understand how and where their arm's-length bodies can most effectively reduce costs, or the likely effect on services to the public.²² Moreover, there has been a lack of incentives to improve. We found in October 2012, that the Treasury did not have a common view of what data it required from departments, and did not mandate the production, for example, of unit costs, so the information supplied by departments was largely qualitative. Therefore, neither departments nor the centre were adequately equipped to decide on the relative cost-effectiveness of different spending options.²³

What the Plan says

2.10 The Plan acknowledges that 'the civil service urgently needs to produce much better management information'. There are already some signs of improvement especially on capital and project spending:

- During the Spending Review 2010, the Treasury for the first time compared and ranked potential capital spending options across government based on the value offered. This approach could be extended to resource spending in future.²³
- The management information held by government on its major projects has significantly improved with the introduction of the quarterly Government Major Projects Portfolio report.²⁴

2.11 On non-capital or programme spending, progress is up to individual departments, and here too there are some positive signs:

- The Plan highlights the zero-based budget review being carried out by the Department for Education to identify spend by objective, suggesting other departments learn from this approach.
- A large number of senior business leaders now sit as non-executives on departmental boards and are in a position to demand better quality management information. This is one of the priorities set for them by the government's lead non-executive, Lord Browne, in 2012-13.

22 Comptroller and Auditor General reports, *Managing staff costs in central government*, Session 2010-11, HC 818, National Audit Office, March 2011; *Reorganising central government bodies*, Session 2010-2012, HC 1703, National Audit Office, January 2012; and *Cost reduction in central government: summary of progress*, Session 2010-2012, HC 1788, National Audit Office, February 2012.

23 Comptroller and Auditor General, *Managing budgeting in government*, Session 2012-13, HC 597, National Audit Office, October 2012.

24 HC Committee of Public Accounts, *Assurance for major projects*, Fourteenth Report of Session 2012-13, HC 962, October 2012.

- The government has committed to producing a common set of quarterly data on measures of back-office performance such as human resources and procurement, to enable comparisons across all departments. This is intended to build on the Quarterly Data Summaries that departments published during 2011-12.
- More generally, the Cabinet Office is working on developing the approach recommended by Dr Martin Read, in his independent review of government management information, prepared for the Minister for the Cabinet Office and Chief Secretary to the Treasury in July 2012.

Corporate approach from the centre of government

2.12 The NAO and the Committee have frequently pointed to the need for greater strategic leadership and coordination from the centre of government in areas where a ‘corporate’ approach to management makes sense in value for money terms. However, the Cabinet Office and the Treasury (the strategy and finance departments of government respectively) have tended to operate separately and lacked the leverage or information to manage the ‘corporate’ position, resulting in poor overall value for money.

2.13 The Committee reported in March 2012 that ‘the Centre does not yet have a firm enough grip on departments’ ability to make the cost reductions required ... [and] must develop an overarching strategic framework’.²⁵ We also found significant scope for centrally led cost efficiencies in, for example, staff early departure programmes and government property.²⁶

2.14 The Efficiency and Reform Group, within the Cabinet Office, is intended to integrate many of the functions of a typical corporate headquarters, and the Committee has welcomed its creation.²⁷ The Group took a lead in coordinating the civil service’s rapid response to cost reduction, which cut £7.9 billion in real terms in 2010-11, and its role was recently reinforced with the appointment of a new Chief Operating Officer for government.²⁸ The potential benefits of improving the strategic grip at the centre of government are illustrated by improvements already made in assuring major projects, and the Treasury’s cross-government ranking exercise for capital projects. The *Government Digital Strategy*, published in November 2012, is also an example of an attempt to drive good practice in a key area from the centre – it aims to make government services digital ‘by default’, delivering efficiency for users, and also savings, estimated at £1.2 billion a year by 2015.²⁹

25 HC Committee of Public Accounts, *Cost reduction in central government: summary of progress*, Eightieth Report of Session 2010–2012, HC 1845, April 2012.

26 Comptroller and Auditor General reports, *Managing early departures in government*, Session 2010–2012, HC 1795, National Audit Office, March 2012; and *Improving the efficiency of central government office property*, Session 2010–2012, HC 1826, National Audit Office, March 2012.

27 HC Committee of Public Accounts, *The Efficiency and Reform Group’s role in improving public sector value for money*, Forty-ninth Report of Session 2010–2012, HC 1352, October 2011.

28 Comptroller and Auditor General, *The Efficiency and Reform Group’s role in improving public sector value for money*, Session 2010-11, HC 887, National Audit Office, March 2011.

29 Cabinet Office, *Government Digital Strategy*, November 2012.

2.15 Shared back-office services are a logical conclusion of the corporate approach and have been a government aspiration since the Gershon Review in 2004 and before. The Committee has consistently supported efforts to release savings through sharing services.³⁰ In 2010 the Next Generation HR shared service was created to strengthen the government human resources function. However, we reported in March 2012 that shared services overall had not so far delivered value for money for the taxpayer, and the Cabinet Office was putting in place a new strategy.³¹ The Committee also emphasised the opportunities for mid- and front-office services to also be shared, as is often the case in local government.³²

What the Plan says

2.16 The Plan acknowledges the need for a ‘much stronger corporate leadership model’ for the civil service, including:

- a commitment to overcome ‘remaining differences about location and accountability’ to deliver the current plans for shared services swiftly;
- further sharing of services and skills, including legal services, internal audit, programme and project management resources and commercial contracting procurement skills; and
- consideration of applying the idea from local government of sharing ‘chief executives’, to government departments.

Accountability of civil servants

2.17 The current system of accountability to Parliament for public spending rests in large part on the personal accountability of Accounting Officers to Parliament, and in particular to the Committee. While the machinery that delivers government policy has evolved over time, as have the rules that guide the way it operates, the principle has remained that the Accounting Officer alone is accountable for the use of resources to Parliament and the Committee.

³⁰ HC Committee of Public Accounts, *Efficiency and reform in government corporate functions through shared service centres*, Third Report of Session 2012-13, HC 463, July 2012.

³¹ Comptroller and Auditor General, *Efficiency and reform in government corporate functions through shared service centres*, Session 2010–2012, HC 1790, National Audit Office, March 2012.

³² HM Treasury, *Government responses on the First to the Fourth and on the Sixth to the Tenth Reports from the Committee of Public Accounts: Session 2012-13*, Cm 8467, November 2012.

2.18 However, the Committee has increasingly become frustrated by the difficulties of holding civil servants to account effectively, highlighting both:

- departments' failure to build adequate oversight and accountability arrangements into major projects and programmes, thus diluting control, and leading to cost overruns and delays;³³ and
- the difficulty of holding individuals personally to account.³⁴ The Committee has called for senior responsible owners for all major projects and programmes to be held accountable to Parliament alongside the departmental Accounting Officer.³⁵

What the Plan says

2.19 The Plan highlights the role of departmental boards and their non-executives. Boards will be expected to test and scrutinise major projects at an early stage, before they start to implement, and meet regularly with the Major Projects Authority to discuss progress. Major Projects are one of the priorities for non-executive scrutiny in 2012-13. The effectiveness of these controls and how far Parliament can rely on them depends, however, on good quality, timely and transparent management information, on which there is further to go. The government has committed to publishing the Major Projects Authority's annual report, and is in the process of deciding on the timing and mechanism for this.

2.20 The Plan also explicitly acknowledges the Committee's concerns about individual accountability. It criticises a civil service culture where 'no one's career suffers from persisting with an inefficient status quo' and the Head of the Civil Service has spoken of his desire to see a civil service in which everyone takes responsibility for what they do. The actions proposed in the Plan focus mainly on the accountability of Accounting Officers, with some new ideas and underlining of existing principles:

33 HC Committee of Public Accounts, *Accountability for public money*, Twenty-eighth Report of Session 2010-11, HC 740, April 2011.

34 HC Committee of Public Accounts, *The failure of the FiReControl project*, Fiftieth Report of Session 2010-2012, HC 1397, September 2011.

35 HC Committee of Public Accounts, *Accountability for public money – progress report*, Seventy-ninth Report of Session 2010-11, HC 1503, April 2012.

- Accounting Officers will be required to sign off implementation plans for major projects and may be required to confirm to the relevant cabinet committee that the plans are in line with their duties for managing public money. (This is in addition to the requirement for them to explicitly set out where they do not believe this is the case, by seeking a 'letter of direction' from their minister.)
- The government will consider the potential of alternative accountability arrangements, such as that of New Zealand, in which the relationship between the minister and permanent secretary is a contractual one based on required outcomes. The personal objectives of permanent secretaries have also now been published on departmental websites. These set out business delivery objectives, corporate objectives and capacity-building objectives.³⁶
- As is already the case, former accounting officers can be required to return to give evidence to select committees.
- As promised to the Committee in June 2012, the Major Projects Authority will continue to work with departments to ensure that key staff are retained during critical phases of a project and their post is linked to key deliverables or milestones.³⁷

2.21 Lord Heseltine, in his review of economic growth, refers to the Plan's proposal for strengthening the role of ministers in permanent secretary appointments and also emphasises the important role of departmental non-executives in making recommendations on the appointments.³⁸

2.22 The Committee remains concerned about the ability of the current parliamentary accountability arrangements to drive value for money and will be looking to the government for greater clarity on:

- Whether they are robust enough to address the operational or financial failure of service providers. Departments are placing increasing reliance on market mechanisms such as user choice to drive up performance and value for money, but there are limits to what these mechanisms can achieve. Departments must show how the different mechanisms they put in place will pull together to do this.³⁹
- The risk that new delivery mechanisms, either devolving powers for local decision-making, or increasing central control, could further weaken the Committee's ability to hold accounting officers to account.⁴⁰

³⁶ HM Treasury, *Government responses on the First to the Fourth and on the Sixth to the Tenth Reports from the Committee of Public Accounts: Session 2012-13*, Cm 8467, November 2012.

³⁷ HC Committee of Public Accounts, *Assurance for major projects*, Fourteenth Report of Session 2012-13, HC 962, October 2012.

³⁸ The Rt Hon the Lord Heseltine of Thenford CH, *No Stone Unturned in Pursuit of Growth*, October 2012.

³⁹ HC Committee of Public Accounts, *Accountability for public money – progress report*, Seventy-ninth Report of Session 2010–2012, HC 1503, April 2012.

⁴⁰ HC Committee of Public Accounts reports, *Accountability for public money*, Twenty-eighth Report of Session 2010-11, HC 740, April 2011; and *Department for Education: accountability and oversight of education and children's services*, Eighty-second Report of Session 2010–2012, HC 1957, May 2012.

Integration and user focus in public services

2.23 Despite many attempts to join up public services around the citizen or user, there remain significant barriers to effective joint working between departments whose policy remits intersect. We have highlighted examples of poor service and poor value for money where health and other social services are not effectively integrated in their interactions with citizens, or the citizen is not at the heart of the design of the service.⁴¹ Lack of integration across the criminal justice system and consumer law have also led to difficulties in tracking information and inconsistent implementation.⁴²

2.24 Delegated responsibility for a budget and delivery of a set of policies to a permanent secretary at the head of a department, reporting to a secretary of state, is a key principle of the way the civil service works. However, separate ministers, and separate spending settlements tend not to support shared accountability for value for money, and there is a lack of positive incentives to collaborate.

2.25 In practice, the cost of implementing value for money improvements often falls to a different organisation from the one realising the savings. Organisations are forced to create joint budgets and/or commissioning arrangements, which can be difficult to achieve. We found that the government budgetary system and the Treasury's work with departments on the Spending Review 2010 made it harder for departments to collaborate unless ministers explicitly asked for it.⁴³

What the Plan says

2.26 In his introduction to the Plan, the Minister for the Cabinet Office challenges the civil service to achieve a 'mindset that revolves around the user, not the producer', and highlights a commitment to 'find the most collaborative approaches to policymaking'. The new civil service competence framework will be designed to support behaviour that breaks down hierarchies and silos. The Plan also suggests there should be cross-departmental teams where senior responsible owners report jointly to departments, and there are already some examples of this, such as the delivery of the 2012 Olympic and Paralympic Games, which could be replicated more widely.

41 Comptroller and Auditor General reports, *Supporting people with autism through adulthood*, Session 2008-09, HC 556, National Audit Office, June 2009; and *Services for people with neurological conditions*, Session 2010-2012, HC 1586, National Audit Office, December 2011.

42 Comptroller and Auditor General reports, *Protecting Consumers – the system for enforcing consumer law*, Session 2010-11, HC 1087, National Audit Office, June 2011; and *Crown Prosecution Service: the introduction of the Streamlined Process*, Session 2010-2012, HC 1584, National Audit Office, November 2011.

43 Comptroller and Auditor General, *Managing budgeting in government*, Session 2012-13, HC 597, National Audit Office, October 2012.

Capability and skills

2.27 Monitoring and managing for value for money in a highly devolved landscape of commercial relationships and digital delivery requires specialist skills, but as we highlighted in 2011, the civil service has not taken a strategic approach to obtaining these. We noted that around a quarter of senior operational delivery and programme and project management roles were filled by staff who were not specialists in these fields.⁴⁴ The failure to develop essential skills in core areas had led to departments becoming over-reliant on certain types of consultancy, such as programme and project management and IT. More recently, centrally imposed restrictions on hiring consultants have reduced spend, but not solved the underlying problem.⁴⁵

2.28 Skills strategies in individual departments have not ensured they develop the skills they need.⁴⁶ Departments' understanding of the skills they already have, and the development required, tend to be limited by poor data.⁴⁷ Furthermore, this lack of information has hampered the management of early departure programmes. With an urgent requirement to cut staff numbers, departments had trouble ensuring they retained the staff with the skills they needed.⁴⁸

2.29 Project management skills remain a particular concern.⁴⁹ In its second report on *Assurance for Major Projects*, the Committee was pleased to see the introduction by the Cabinet Office of the Major Projects Leadership Academy to address these weaknesses.⁵⁰ However, it warned that retaining skilled individuals in the public sector and ensuring they remain in a job long enough to enable projects to succeed will be challenging, a concern borne out in the case of the InterCity West Coast franchise competition.⁵¹

44 Comptroller and Auditor General, *Identifying and meeting central government's skill requirements*, Session 2011-12, HC 1276, National Audit Office, July 2011.

45 Comptroller and Auditor General reports, *Central government's use of consultants and interims*, Session 2010-11, HC 488, National Audit Office, October 2010; and *Implementing the Government ICT Strategy: six-month review of progress*, Session 2010-2012, HC 1594, National Audit Office, December 2011.

46 Comptroller and Auditor General, *Core skills at HM Revenue & Customs*, Session 2010-2012, HC 1595, National Audit Office, December 2011.

47 Comptroller and Auditor General, *Identifying and meeting central government's skill requirements*, Session 2011-12, HC 1276, National Audit Office, July 2011.

48 Comptroller and Auditor General, *Managing early departures in central government*, Session 2010-2012, HC 1795, National Audit Office, March 2012.

49 HC Committee of Public Accounts, *Commercial skills for complex government projects*, Thirty-third Report of Session 2008-09, HC 962, April 2010.

50 HC Committee of Public Accounts, *Assurance for major projects*, Fourteenth Report of Session 2012-13, HC 962, October 2012.

51 Comptroller and Auditor General, *Lessons from cancelling the InterCity West Coast franchise competition*, Session 2012-13, National Audit Office, December 2012.

2.30 Lack of commercial skills is another significant weakness. The civil service requires broad skills to commission work and interact with the private sector intelligently, to optimise value for money for the taxpayer. Our work has highlighted the effect of this, for example where departments have failed to consider the full range of business options for delivery, or omitted to pilot or test key assumptions. The Committee has also noted a lack of rigorous, data-led monitoring of performance to ensure that contractors are delivering what they are being paid for.⁵² With plans for much greater commissioning of services from the private and third sectors by a smaller civil service, the need for commissioning skills will be even greater in future.

2.31 Financial management skills, not just in finance departments, but throughout the civil service, are critical to improving value for money.⁵³ Over recent years, government finance functions have seen improved professionalism, with all Whitehall finance directors and more of their team members now qualified accountants. There is further to go in strengthening financial management and giving the finance function greater authority in departments and agencies.

2.32 We have also highlighted failures to fill capability gaps in ICT, and, more specifically, gaps in digital skills. These have persisted over many years, resulting in decisions to outsource functions and employ interim contractors.⁵⁴

What the Plan says

2.33 In the Plan, the government has committed to producing, for the first time, a five-year capabilities plan for the whole civil service. This was due to be published in autumn 2012, but has been delayed until 2013. It will identify the skills the civil service needs over the next five years and how gaps will be filled – both through external recruitment and internal development. The Plan also picks up on the major skills gaps outlined below (**Figure 2** overleaf).

52 Comptroller and Auditor General, *The introduction of the Work Programme*, Session 2011-12, HC 1701, National Audit Office, January 2012. National Audit Office, *The Ministry of Justice's language services contract*, September 2012. A statement from the Rt Hon Margaret Hodge MP, Chair of the Committee of Public Accounts, 18 October 2012.

53 Comptroller and Auditor General, *Progress in improving financial management in government*, Session 2010-11, HC 487, National Audit Office, March 2011.

54 Comptroller and Auditor General reports, *Implementing the Government ICT Strategy: six-month review of progress*, Session 2010-2012, HC 1594, National Audit Office, December 2011; and *Digital Britain One: Shared infrastructure and services for government online*, Session 2010-2012, HC 1589, National Audit Office, December 2011.

Figure 2

Skills gaps in the civil service – what the Plan says

Skill	Actions to address gaps
Digital	<p>The Government Digital Strategy sets out the aim for each department to have sufficient specialist capability to assess and manage its portfolio of digital services. Specific commitments include:</p> <ul style="list-style-type: none"> ● departmental digital strategies and business planning processes will include plans to improve departments' digital capability; ● the Civil Service Capabilities Plan will prioritise digital skills development across the civil service; and ● senior officials across all departments will, from summer 2013, be offered training to highlight the strategic opportunities offered by digital.
Financial management	<p>The Finance Transformation Programme aims to strengthen financial discipline, including requiring all senior civil servants to demonstrate a minimum level of capability with financial information and concepts so that they can make responsible corporate decisions in their organisations.</p>
Commercial/ commissioning	<p>A new Commissioning Academy, to be set up in 2013, is to develop commercial skills such as managing markets, negotiating and agreeing contracts and contract management skills.</p> <p>A pilot run of the programme is currently under way, focusing on a wide range of practical commissioning issues, including outcome-based commissioning, service redesign from the users' perspective, and new models of delivery.</p>
Project and programme management	<p>With the introduction of the Major Projects Leadership Academy, the Plan promises that:</p> <ul style="list-style-type: none"> ● all major project leaders will be trained by 2014; ● completing the programme will, in future, be a prerequisite for leading major projects; and ● permanent secretaries appointed to the main delivery departments will have had at least two years' experience in a commercial or operational role.

Source: National Audit Office analysis of Civil Service Reform Plan

Part Three

Implementing the Civil Service Reform Plan

3.1 In introducing the Plan, the Head of the Civil Service called it an ‘unprecedented’ and ‘profound’ civil service-wide change. The Plan is described by its authors as a practical working document which will evolve over time, and the Cabinet Office is now working on the details of the actions planned, timetables, priorities and measures of success. In this part we set out those arrangements so far in place, and identify key risks and challenges that government should consider as it develops them further.

3.2 The transformation envisaged in the Plan is enormously large, complex and far-reaching, involving some 400,000 employees in over 100 diverse organisations, plus external partners and service users. Delivering it is made more complicated by the need to balance the interests of taxpayers and citizens, and align the dual political and administrative leadership of the civil service – hence there is no model of change which can straightforwardly be applied. Our analysis of the risks and challenges acknowledges this huge complexity, while also drawing for good practice on a change management model that has been tried and tested in business (**Figure 3**).

Figure 3

Summary of Kotter’s eight key steps to change

1 Create a sense of urgency	2 Form a powerful alliance for change	3 Create a desired vision of the future that is easy to understand	4 Communicate the vision – by both talking and doing
5 Remove obstacles to change (whether structural or cultural)	6 Plan for and create short-term wins to help motivate the organisation to change	7 Sustain and build on successes through continuous analysis and improvement	8 Embed the changes and desired behaviour into the culture wherever possible, for example through training, reward and succession planning

Source: Leading Change by John Kotter, Harvard Business School Press, 1996

Urgency and building an alliance for change

3.3 The Plan sets out clearly the urgency for change in the civil service and this has been reinforced by communications by ministers and the Head of the Civil Service since its publication in June 2012. However, the need to create a new team in the Cabinet Office to take forward implementation, after the team that drafted the Plan was disbanded, meant there was a hiatus following publication before the new director general took up post in September. The full team is not yet in place.

3.4 In terms of the alliance for change, the Plan gained cross-party support in the House of Commons at its launch, has the public support of the Prime Minister and Deputy Prime Minister, and the personal leadership of the Minister for the Cabinet Office. To be successful, the Plan also needs support from the leadership of all departments. In practice, the priorities of a department are set by its secretary of state and ministers. Their engagement with and leadership of the actions in the Plan are crucial if progress is to be made.

3.5 Permanent secretaries report to either the Head of the Civil Service or the Cabinet Secretary and can therefore be held to account for their leadership of reform. And importantly, non-executives will monitor their departments' progress on reform in 2012-13.⁵⁵ If every department's minister, permanent secretary, and non-executives are aligned behind delivering the actions in the Plan, it stands the greatest chance of success.

3.6 With a change programme that is intended to make a difference to so much of what government does, and how it interacts with citizens, the alliance for change needs to bring in at an early stage government's partners in business and the third sector, and potentially the public. This could build the expectations to drive change more effectively. The civil service's professional groupings and the trades unions are key groups to engage early on.

Vision and communication

3.7 Achieving transformational change requires a vision of the future, or a 'destination' that is clear and easy to grasp, especially important if it is to be effectively communicated to around 400,000 civil servants. The Plan includes numerous descriptors of how the future civil service should look (**Figure 4**). It will be important to distil these into a vision and strategy for reaching that future state, illustrated with real examples. Managers across the civil service need to understand and interpret it within the context of their own departments, for themselves and staff.

⁵⁵ Lord Brown of Madingley, *Government Lead Non-Executive Annual Report, Financial Year 2011/12*, May 2012.

Figure 4

Expected attributes of the future civil service

**NOTE**

1 Descriptors taken from the Civil Service Reform Plan.

Source: National Audit Office graphic

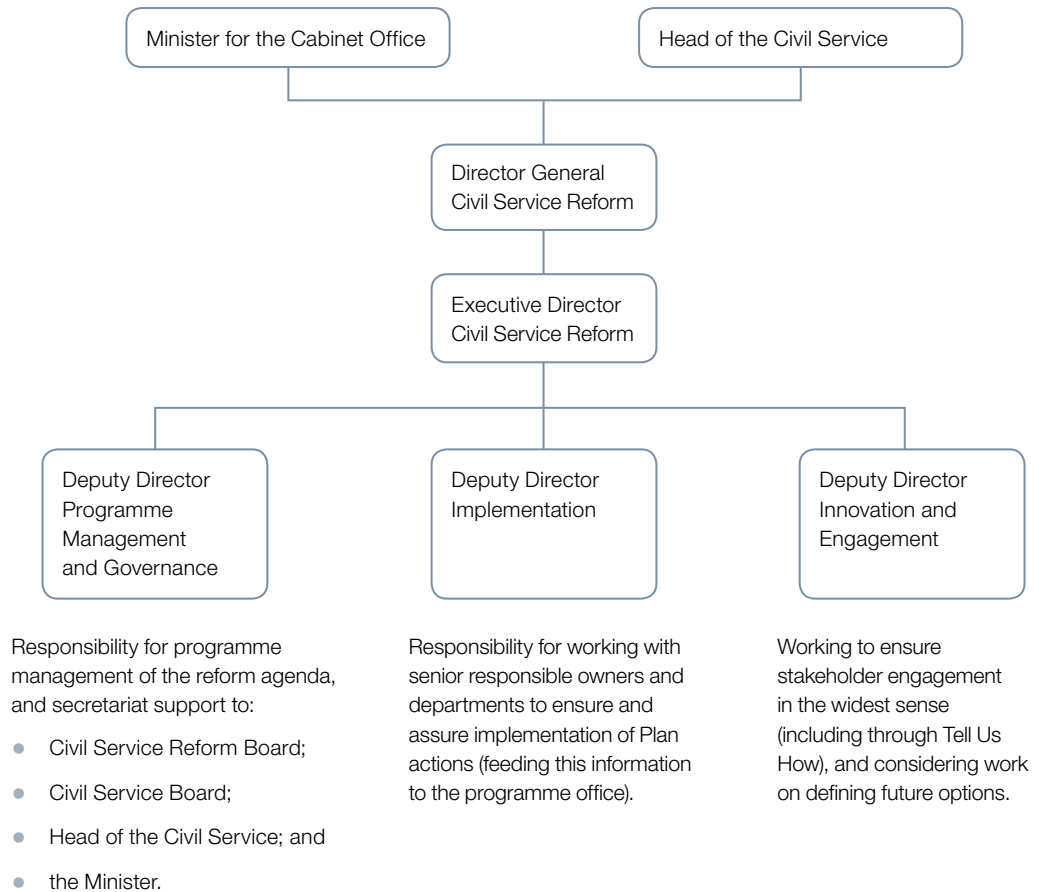
3.8 The Cabinet Office is reviewing its communications about the Plan to date and developing a communication strategy for use in 2013, which it sees as a ‘year of reform’. In the meantime, departments across Whitehall have, since 2010-11, been developing their own change programmes, at different speeds and with different emphases. The Cabinet Office will need to ensure that its central communications do not cut across those of departments, but support and bolster their progress, and draw together the messages about the benefits and successes of reform into a coherent whole.

Roles and responsibilities

3.9 The Director General for Civil Service Reform reports to the Minister for the Cabinet Office and the Head of the Civil Service on implementation of the Civil Service Reform Plan. The Director General leads the Civil Service Reform Group, which includes the Civil Service Reform team as well as the Governance Reform, Workforce Reform and Talent Management directorates. The Civil Service Reform team will ultimately have 37 members (**Figure 5** overleaf), with a budget of £1.7 million for 2012-13.

Figure 5

Programme management arrangements for delivering the Plan



Source: National Audit Office graphic based on information provided by the Cabinet Office

3.10 The Plan has brought together several pre-existing change programmes and initiatives under one umbrella programme – including the Finance Transformation Programme formerly led from HM Treasury, the Shared Services agenda, and initiatives led by the Major Projects Authority. The Civil Service Reform team are currently building links to the management of these major change programmes to avoid duplication or confusion.

Priorities and progress so far

3.11 The Plan set out 18 high-level actions, some of which comprise a number of supporting actions, in some cases with deadlines attached, others without (Appendix One). Some of these 'actions' are programmes in themselves, such as the replacement for Capability Reviews, and others are more high-level still, such as the Finance Transformation Programme, which has its own pre-existing governance structure.

3.12 Within this broad portfolio of reforms, there are many potential interdependencies and a large number of risks to manage. The Director General and her team have undertaken a review of progress to date, consulting with the senior responsible owners of each action. As part of the review they also considered the governance structure for the Plan's implementation, taking into account past lessons, best practice and advice from stakeholders. The review focused on:

- getting a robust understanding of what progress has been made on implementation since June;
- grouping together the plan's actions more coherently, to allow the team to focus better on transformational change (for example through better management of interdependencies between actions);
- developing new governance arrangements to oversee the implementation of the programme, drawing in the three key groups: ministers, permanent secretaries and senior civil servants, and non-executive directors;
- compiling a detailed risk register and issues log;
- reviewing the engagement strategy for reform, looking at how to drive change through effective communications and engagement across all departments; and
- establishing a benefits framework to track and measure success within the programme.

3.13 The team has also undergone a 'starting gate review' by the Major Projects Authority. This gave the Plan an initial amber/red rating for delivery risk, which will be updated once implementation arrangements are more advanced. The review's recommendations have been taken into account when designing the new governance and team structures.

Removing obstacles to change

3.14 Removing obstacles to fundamental change, whether structural or cultural, is one area where the centre of government will need to take a lead. Among the issues they will need to consider, we would highlight:

- The departmental budgeting and allocation system, and its lack of incentives towards integration between departments.
- Delays to departments' adoption of corporate goals such as shared services. When we reported on shared services in March 2012, we highlighted that the Cabinet Office's reliance on a collaborative model to drive progress had not been effective,⁵⁶ which echoed our findings in 2006 that the centre lacked 'full authority to drive progress across departments and other public bodies towards greater sharing of services'.⁵⁷ The government has recently published its strategic plan detailing how departments and arms-length bodies will work together to share functions such as HR, procurement, finance and payroll to deliver potential savings of between £400 and £600 million a year in administration costs.⁵⁸
- Lack of engagement and motivation of civil servants. The Minister for the Cabinet Office has recognised that the Plan may be seen 'as an attack on the civil service' and in return proposes a 'new offer to staff' including a 'decent', flexible and IT-enabled working environment. The Cabinet Office has the lead in implementing pay and reward arrangements for the Senior Civil Service, and coordinating integrated training and development for the whole civil service. Departments have responsibility for pay, performance management, training and working conditions for the remainder of the service. If the vision of a 'unified' civil service is to be delivered it will be important for the centre of government to ensure this is done consistently.

Short-term wins, sustaining and anchoring change

3.15 Sustaining change involves analysing what has worked and building on it, constantly setting new goals, in line with the continuous improvement techniques widely used in industry. The Minister for the Cabinet Office highlights the benefits of 'lean continuous improvement' for the civil service in his introduction to the Plan, and it is also mentioned as one of the principles of the new departmental improvement model that is to replace Capability Reviews.

56 Comptroller and Auditor General, *Efficiency and reform in government corporate functions through shared service centres*, Session 2010–2012, HC 1790, National Audit Office, March 2012.

57 Comptroller and Auditor General, *Progress in improving government efficiency*, Session 2005–06, HC 802, National Audit Office, February 2006.

58 Cabinet Office, *The Next Generation Shared Services Strategic Plan*, December 2012.

3.16 The continuous improvement approach requires openness about what has worked and what has not, wide sharing of successes and lessons learned, and support, in both culture and resources. In the past we have highlighted weaknesses in the sharing of good practice and lessons learned between departments, and in the centre of government's provision of support for this.⁵⁹ A strategy for continuous improvement for government was produced by the Cabinet Office in 2011. Departments are now responding to this, publishing their own continuous improvement strategies.

3.17 The Plan promises that the new leadership programme for the civil service will 'have a strong focus on sharing experiences'. It also points to ideas – such as revised resource planning in the Ministry of Justice and the zero-based review of activities in the Department for Education – that the rest of the civil service can learn from. It will be important for the centre to create the right environment – a 'community around change' – to make that learning happen.

3.18 Embedding change depends on building the vision and principles into all aspects of the culture. With the launch of new training and development activities and new competencies in 2013, the centre of government has the opportunity to do that early on, if it can drive the early adoption of these new arrangements across the whole civil service. Leaders will also need to talk about the vision for change and publicly recognise successes wherever possible.

Tracking progress, measuring success

3.19 Our work on previous reform initiatives (paragraph 1.7) highlighted the tendency for government to devote too little effort to setting targets for and measuring success of reform. More recently, where targets and arrangements for measurement have been put in place for cost reduction programmes, these have been hampered by the quality of information on costs and outcomes.

3.20 The Reform Team Programme Office is responsible for monitoring progress against all the Plan's actions, reporting to the Minister, and the Head of the Civil Service. In practice they will need to be able to rely on departments' arrangements to monitor and challenge their own progress against key actions and the principles of the reforms. It will be important to ensure that the promised regular reporting on the civil service website is accurate and timely, both to engage civil servants and support accountability. If any actions are discarded, the reasons for that should be clearly set out and agreed, otherwise the ability to track progress could be compromised.

⁵⁹ National Audit Office, *Maturity of process management in central government*, December 2010; Comptroller and Auditor General, *Progress in improving government efficiency*, Session 2005-06, HC 802, National Audit Office, February 2006; HC Committee of Public Accounts, *Cost reduction in central government: summary of progress*, Eightieth Report of Session 2010–2012, HC 1845, April 2012.

3.21 Measures of success for civil service reform will not be straightforward to devise and we do not propose to prescribe them here. The Director General for Reform and her team are working on a benefits framework to identify and track success measures. It should be possible to conclude, over time, whether the vision for reform is being realised, and elements of this could include, for example: cost reductions from transformation; improved public perception of services; improved staff engagement; and measures of better integration in government.

Appendix One

Composition and role of the civil service

1 The UK civil service employs 459,000 people costing £16 billion.⁶⁰ Its workforce makes up 8 per cent of the total public sector, which in turn employs 5.7 million people (19 per cent of the UK workforce). The civil service is at its smallest since 1939, and numbers of civil servants have been declining since 2004. The government expects the civil service to continue shrinking, and estimates that by 2015 it will have around 380,000 full-time equivalent employees.

2 Around 60 per cent of civil servants are employed in providing or administering services, with around 4 per cent involved in the work of developing policy and advising ministers, and two-thirds of all civil servants work in the four biggest service delivery departments and their agencies⁶¹ (**Figure 6** overleaf). These organisations are spread across the country – 26 per cent of civil servants work in London and the South East, with 16 per cent in London, and 9 per cent in Whitehall (**Figure 7** on page 35).⁶²

3 The origins of the modern civil service are in the *1854 Northcote-Trevelyan report* which established the principle of a unified, permanent, politically neutral administrative body working with the government of the day. The UK civil service differs from some equivalents overseas in that its members are politically independent even at the highest levels. More recently, the *Civil Service Code*,⁶³ first published in 1996, and made statutory by the Constitutional Reform and Governance Act 2010, summarises the constitutional framework civil servants work in and sets out the values and standards of behaviour:

- Integrity – putting the obligations of public service above personal interests.
- Honesty – being truthful and open.
- Objectivity – basing advice and decisions on rigorous analysis of evidence.
- Impartiality – acting solely according to the merits of the case and serving governments of different political parties equally well.

⁶⁰ Headcount of the Home Civil Service (excludes Northern Ireland Civil Service), from *Public Sector Employment*, Q2 2012, Office for National Statistics. Pay bill estimate is for UK Civil Service working for central government, from *The Context for Civil Service Reform*, Cabinet Office, June 2012.

⁶¹ These departments are Department for Work and Pensions, HM Revenue & Customs, Ministry of Defence and Ministry of Justice.

⁶² Civil Service Statistics 2012, Office for National Statistics.

⁶³ Available at: www.civilservice.gov.uk/about/values

Figure 6
Civil servants by type of organisation

Type of organisation	Number of civil servants ¹	Examples
Central department	207,700	Department for Work and Pensions – 99,960 Ministry of Defence – 53,370 Home Office – 10,740
Executive agency	121,700	Skills Funding Agency – 1,260 UK Border Agency – 11,600
Non-ministerial department	105,300	HMRC – 74,970 Crown Prosecution Service – 7,650
Non-departmental public body	13,600	Health and Safety Executive – 3,500 Advisory Conciliation and Arbitration Service – 880
Trading fund	15,600	Met Office – 1,900 Defence Science and Technology Laboratory – 3,720

NOTES

1 Headcount.

2 Numbers as at March 2012 so do not match 459,000 total from Q2 2012.

Source: *Civil Service Statistics 2012, Office for National Statistics*

Figure 7
Regional spread of civil servants



NOTES

- 1 Headcount.
- 2 Scotland and Wales totals include devolved administrations, which are part of the Home Civil Service. Northern Ireland devolved administration is not included, as it is a separate service.
- 3 Departments did not report the location of 3,400 civil servants and 5,300 civil servants are based overseas.
- 4 Numbers as at March 2012 so do not match 459,000 total from Q2 2012.

Source: *Civil Service Statistics 2012*, Office for National Statistics

Appendix Two

Civil Service Reform Plan milestones and responsibilities

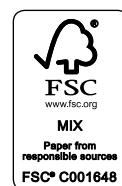
Action	Deadline set in Plan	Responsibility
1 Complete the review led by the Cabinet Office to identify some further examples of changes in delivery models which can be implemented in this Parliament, taking account of major departmental change programmes already under way.	October 2012	Cabinet Office
2 Departments to publish plans for making services Digital by Default.	End of 2012	Departments
3 Execute the current programme to create five centres for transactional services (i.e. finance, payroll, HR, procurement), with potential cost savings of £600m a year. We will execute the plans for seven shared communications hubs.	Create necessary infrastructure by the end of 2013, with full delivery of the programme by 2014 Create plans for shared communications hubs by the end of 2012	Cabinet Office
4 Publish and execute plans to share a wide range of other services and expertise, including legal services, internal audit, programme and project management resources and commercial contracting procurement skills.	Publish plans by October 2012 and execute plans by October 2013	Cabinet Office
5 Establish a clear model of open policymaking and pilot contestable policymaking by establishing a centrally held match fund which can be used by ministers to commission external policy development.	Match fund operational by July 2012	Cabinet Office
6 Work across Whitehall to address the sources of unnecessary activity and bureaucracy, drawing in part on snapshot reviews of Department for Communities and Local Government and Department for Work and Pensions on how departmental working time is spent. Complete a zero-based budget review to identify the resources required to carry out the Department for Education's statutory and other functions going forward.	No deadline	Cabinet Office and departments

Action	Deadline set in Plan	Responsibility
7 Ensure that staff have the skills and expertise they need to develop and implement policy, using up-to-date tools and techniques, and have a clear understanding of what works in practice.	No deadline	Departments
8 Substantially improve delivery of major projects by: <ul style="list-style-type: none"> ● requiring greater testing and scrutiny of major projects by departmental boards and the Major Projects Authority before they move to full implementation; ● regular publication of project progress and the production of an annual report on progress, scrutinised by the departmental board; ● commencing training of all leaders of major projects through the Major Projects Leadership Academy; and ● significantly reducing the turnover of senior responsible officers. 	All leaders of major projects commencing training through the Major Projects Leadership Academy by the end of 2014	Departments
9 Put in place a robust cross-government management information (MI) system that enables departments to be held to account by their boards, Parliament, the public and the centre of government.	October 2012	Cabinet Office and departments

Civil Service Reform Plan milestones and responsibilities *continued*

Action	Deadline set in Plan	Responsibility
<p>10 Sharpen and make more transparent the responsibility of Accounting Officers, including for ensuring effective implementation of major government projects and programmes, by:</p> <ul style="list-style-type: none"> • requiring explicit Accounting Officer sign-off of implementation plans, major gateway reviews and Cabinet Committee papers; and • establishing the expectation that former Accounting Officers return to give evidence to select committees on a time limited basis where there is a clear rationale to do so. 		Cabinet Office
<p>11 Strengthen the role of ministers in both departmental and permanent secretary appointments.</p>	No deadline	Cabinet Office
<p>12 Produce a five-year capabilities plan for the whole civil service to identify which skills and capabilities are in deficit, and set out how gaps will be filled.</p>	Autumn 2012 (now expected in 2013)	Cabinet Office and Civil Service HR
<p>13 Actively manage Fast Stream, other high performers and senior civil servants as a government-wide corporate talent pool by expanding accelerated development programmes, and introducing a single common standard for promotion into and within the Senior Civil Service. Training for high-potential senior civil servants to be sourced through Civil Service Learning, and conducted alongside high-potential individuals in other sectors, especially the private sector.</p>	End of 2012	Cabinet Office
<p>14 Increase dynamism and flexibility by making it easier for staff at all levels to move between the civil service and the private sector.</p>	No deadline	Cabinet Office, Civil Service HR, and departments
<p>15 Establish the expectation that permanent secretaries appointed to the main delivery departments will have had at least two years' experience in a commercial or operational role.</p> <p>Move over time towards a position where there is a more equal balance between those departmental permanent secretaries who have had a career primarily in operational management and those whose career has been primarily in policy advice and development.</p>	No deadline	Cabinet Office

Action	Deadline set in Plan	Responsibility
16 Replace existing Capability Reviews with departmental improvement plans, which will be annually assessed and led by departmental boards, calling on other external advice.	No deadline	Cabinet Office
<p>17 Creating a positive offer for staff: the views of staff will be sought on a new offer for civil servants that encompasses a much less hierarchical, pacier culture focused on outcomes not process, supporting innovation and rewarding initiative. The new offer will embrace:</p> <ul style="list-style-type: none"> ● terms and conditions of employment that reflect good, modern practice in the wider public and private sector; ● for the Senior Civil Service, a proposal on reward to be submitted to Senior Salaries Review Board in the autumn for implementation in 2013 to include consideration of a voluntary 'earn-back' scheme. The new offer will be put in place by 2013; ● regular and rigorous performance appraisal for all staff, recognising good performance and taking action where performance is poor; ● at least five days a year investment in targeted learning and development; and ● creating a decent working environment for all staff, with modern workplaces enabling flexible working, substantially improving IT tools and streamlining security requirements to be less burdensome for staff. 	The new offer for the Senior Civil Service to be put in place by 2013	Cabinet Office and departments
18 Drive the culture and behaviours being sought through the new competence framework that sets out the behaviours civil servants need to demonstrate.	No deadline	Cabinet Office



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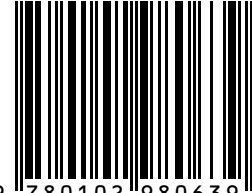
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