



National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

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Building capability in the Senior Civil Service to meet today's challenges

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National Audit Office

Building capability in the Senior Civil Service to meet today's challenges

Report by the Comptroller and Auditor General

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Amyas Morse
Comptroller and Auditor General
National Audit Office

14 June 2013

The Senior Civil Service (SCS) is the group of around 3,600 senior leaders, including 32 permanent secretaries, charged with leading, developing and motivating the 400,000-strong civil service to deliver reformed public services.

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The National Audit Office study team consisted of:
Jonathan Bayliss, Liam Blanc,
Toby Coaker, Jack Cook,
Antonia Gracie, Ben Szejka and
Anna Wojtal, under the direction
of Keith Davis.

This report can be found on the
National Audit Office website at
[www.nao.org.uk/Senior-civil-
service-2013](http://www.nao.org.uk/Senior-civil-service-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/contact-us

Website: www.nao.org.uk

Twitter: @NAOorguk

Key facts

3,616

senior civil servants
in post in April 2012

2,753

senior civil servants who
are deputy directors

£303m

total basic salaries paid
to the senior civil service
in 2011-12

17.4 per cent real-terms reduction in base salary for senior civil servants since 2009

4 out of 15 permanent secretaries at the main delivery departments who have significant operational delivery and commercial experience

**£60,600 –
£78,200** the median deputy director salaries at the lowest- and highest-paying Whitehall departments – a range of 29 per cent

20 per cent the percentage of senior civil servants thinking of leaving within 12 months

2.8 per cent the percentage of senior civil servants who resigned in 2011-12

16.9 per cent the turnover rate of senior civil servants in 2011-12

Summary

1 The Senior Civil Service (SCS) is the group of around 3,600 senior leaders, including 32 permanent secretaries, charged with leading, developing and motivating the 400,000-strong civil service to deliver reformed public services. They must do so at a time of intense budgetary pressure, when departments have gone through significant staff reductions and reorganisations, and have seen low levels of staff engagement.

2 We reported in 2011 that there were significant skills gaps in the SCS.¹ In June 2012, *The Civil Service Reform Plan* recognised that there was a need to change “the culture and skill set” to broaden the experience of senior leaders, especially in operational delivery. The Reform Plan also made clear that the civil service needs senior leaders who are “equipped, motivated and high performing, to drive and oversee ... reform”, creating a “more flexible, open and pacier culture”.

3 In January 2013, we welcomed the ambition of the Reform Plan and emphasised that progress with reform was urgent, as it underpinned the government's chances of delivering further efficiency savings. However, we reported that some aspects of the reform programme had slipped. The lessons from past reforms – that transformation requires sustained leadership and engagement of civil servants – underlines the importance of an effective SCS at this time.²

4 This report assesses how well placed the SCS is to lead transformation. In Part One we review the current profile of senior civil servants and the capability challenges. Part Two considers to what extent there is a strategic approach in place to create and sustain an effective SCS. Part Three looks at how far the elements are in place to implement that strategy successfully. Our methodology is in Appendix One.

Key findings

On the current profile of the Senior Civil Service

5 The Minister for the Cabinet Office and the Head of the Civil Service have described the civil service of the future as “skilled, unified, open and accountable”. To achieve this, the SCS as leaders must exemplify these characteristics. Part of the answer involves changing the mix of people in the SCS, part is about changing the systems and support to bring out the best in those skilled and talented people, but by far the greatest challenge involves changing the long-standing culture of the SCS to create a leadership group that can lead change and think across traditional departmental boundaries. While there has been some progress, there is a long way to go.

6 The government accepts that there are significant skills gaps, particularly in commercial skills, project and programme management, digital delivery and change leadership. However, there are still no reliable data on the skills, professional qualifications or experience of the whole SCS. Data on the jobs senior civil servants do suggest that 29 per cent work in policy development, 14 per cent in operational delivery and 4 per cent in project and programme management. Data on the experience and skills of the 'Top 200' group of directors general and permanent secretaries are better. These data showed that in December 2012, 4 out of 15 permanent secretaries at the main delivery departments had significant operational delivery and commercial experience. The government has committed to increase that proportion, with a stronger focus on these skills throughout recruitment and development, and to move away from a dominant culture of generalism (paragraphs 1.4, 1.11 to 1.15, and 1.22).

7 The SCS is not yet a unified leadership group. To date, there has been no attempt to manage the whole 3,600-strong SCS as one: the Executive Talent Team in the Cabinet Office has oversight only of the 'Top 200'. Below that, directors, and particularly the 2,700 deputy directors, see themselves first and foremost as members of a department, and many have no expectation of moving away from it. There is also no definitive list of senior civil servants. Around 850 individuals, including the whole Diplomatic Service, are not included in the Cabinet Office's database, though they are for certain purposes considered to be part of the SCS (paragraphs 2.5 to 2.8).

8 The government has explicitly committed to open up the service, with more internal transfers and more free flow of skills to and from the private sector, but there are several barriers to progressing this. Although the annual SCS pay offer is set centrally, pay for similar SCS roles varies between departments, for a range of historic reasons, which can prevent the free flow of skills. Many civil servants below SCS level are entitled to pay increments, while the base salary for the SCS has reduced by around 17 per cent in real terms over four years, making promotion to the SCS less attractive for experienced, talented people. Although a large number of senior civil servants have left through early departure, the rate of resignations remains low. As for external inflows, the proportion of new recruits from the private sector fell in 2009-10 as departments cut spending, and has yet to recover. Evidence from departments and the recruitment sector suggests that restrictions on pay and conditions, coupled with concerns about unclear objectives and lack of autonomy, may be restricting the pool of people willing to join the SCS in mid-career from the private sector (paragraphs 1.5, 1.16 to 1.17, 3.5 to 3.6, and 3.24 to 3.28).

9 The government has taken steps to manage the performance of senior civil servants more effectively, but it has yet to achieve real, objective accountability for delivery. The government introduced new performance management arrangements for the SCS in 2011, and has linked pay increases and bonuses more clearly to performance. Permanent secretaries now have published objectives. But, as the government's lead non-executive Lord Browne told the Committee of Public Accounts, there is much further to go before all senior civil servants have a clear, measurable set of objectives against which they can be held effectively accountable. Accountability has also been weakened by turnover in key posts. The government is introducing new requirements, and financial incentives, to keep senior staff in post to see through key projects and programmes. The introduction of senior-level 'service managers', who will be explicitly accountable for all aspects of delivering a public service, is also a promising move (paragraphs 1.14, 3.8 to 3.10, and 3.21 to 3.22).

On the strategy for building and sustaining an effective Senior Civil Service

10 While in the past there was limited maintenance of the civil service's leadership pipeline, a new corporate approach is now in development. For a number of years, internal and external reviews highlighted the need to improve civil service leadership capability. Efforts to address it have included departmental Capability Reviews and the work of the National School of Government – both now ended. However, without an overall corporate approach, improvements were piecemeal, inconsistent, and often not sustained. There has been management of Top 200 succession as required, and a shared approach to recruiting 'Fast Stream' graduates who are then dispersed to departments. In between these two levels, the leadership cadre has been managed in patches only. Certain professions, such as human resources, actively seek to develop and deploy specialists in senior roles across government; larger departments run their own talent development programmes. Starting in 2011, Civil Service HR has been developing its strategy on corporate talent management, and is currently part way through launching a set of new corporate programmes, collectively the Civil Service High Potential Stream, which has the potential to strengthen and join up the pipeline to supply leadership roles (paragraphs 1.20 and 3.12 to 3.15).

11 Until now there have been no clear business drivers for a corporate approach. The autonomy of departments to 'hire and fire' and move their senior staff, the lack of consistent or reliable data, and dispersed workforce planning responsibilities have all militated against cross-civil service coordination. Moreover, historically there has been low turnover in the SCS, and departments have largely been able to fill their recruitment needs. Without a clear strategic operating model and good data on how their skills stacked up against it, departmental boards have not had a clear view of the right size and make-up for their leadership teams. They have also not had adequate visibility of the risks associated with capability gaps, until they crystallised, in the form of project failure or other adverse outcomes (paragraphs 1.14, and 2.2 to 2.4).

12 The case for a corporate approach is now inescapable, but full buy-in from departments will take time. Under intense pressure on cost and headcount, departments are now beginning to clarify their target operating models and their understanding of the skills needed to deliver civil service reform. The benefits of a stronger corporate approach are also becoming clear through the work of the Major Projects Authority and the Government Digital Service. The introduction of Civil Service Human Resources (incorporating Civil Service Learning, Resourcing and Employee Policy) was an innovative move in 2011, but there is much work still to do to achieve fully functioning corporate systems supported by good data. Civil Service HR and the Civil Service Board also have further to go in persuading departments and senior civil servants themselves to buy in fully to the shared approach (paragraphs 1.20, 2.4 and 2.6).

13 The *Capabilities Plan* for the civil service provides welcome clarity and a commitment to take a strategic approach to capability for the first time.³ It also addresses our recommendations from 2011 on length of postings, learning and development, and the role of managers, for example. The Plan draws together a broad set of actions, not just for human resources (HR) functions or the Cabinet Office at the centre of government, but for permanent secretaries and heads of key professions. It explicitly links these actions to the key capability gaps that have been identified in government (paragraph 6). Importantly, it also links improving capability with other aspects of a stronger corporate approach, such as the centralisation of procurement activity. Many of the proposed changes are designed to target capability in the SCS first (paragraphs 1.22 and 2.9 to 2.10).

On progress and challenges with implementing the strategic approach

14 Some of the tools, processes and structures needed to efficiently deliver a corporate approach to managing the SCS are now in place, but there remains much to do, and some risks to manage. There is now a shared set of civil service competencies, linked to a common framework for assessing senior civil servants' performance, a centralised training offer and common promotion standards. Establishing consistency and trust in the application of these across departments will take time and determination. However, there is some good feedback from managers and staff on the new standards (paragraphs 3.8 to 3.10).

15 A new end-to-end corporate talent management system is being launched to support SCS staff between the Fast Stream graduate entry level and permanent secretary grades, though it is too early to report on its efficacy. The Major Projects Leadership Academy and Commissioning Academy are also setting out to develop the key skills required in civil service leaders. However, the information systems to capture data on skills and talent across the whole SCS are in their infancy: information on skills and talent that is shared and trusted by departments is crucial to getting their buy-in (paragraphs 2.5 to 2.6 and 3.11 to 3.15).

16 The 24 professional networks in the civil service lack influence across departmental silos and their role and accountability need to be redefined.

Currently, the professions vary dramatically in their resources, leverage, membership engagement and information. It is also unclear whether they are the right set of 24 groupings to meet the needs of the modern service. The shift of focus to professions will be a significant one for the SCS, whose culture has been dominated by those with policy experience rather than technical delivery or functional skills. It will also be a challenge to traditional hierarchical decision-making within departments, and it is not clear how that will be resolved. If they are to perform the role set out in the Plan, driving recruitment, deployment and talent management, the professions will need to mature rapidly, and have a clear model of influence (paragraphs 2.8 to 2.10).

17 Against a background of very tight cost control, the government has introduced increased pay flexibility, but this may not be enough to recruit, motivate and retain the right people; anomalies in SCS pay are also a cause for concern.

Morale and motivation are at risk from disparities in pay between internal and external recruits, SCS and lower grades, and between people promoted before and after the pay freeze. Both the Civil Service Commission and the Review Body on Senior Salaries have warned of the need to address these anomalies. The government increased flexibility for departments over pay increases and non-consolidated bonuses in 2013, and introduced a Pivotal Role Allowance, designed to make key posts more attractive. The resignation rate is currently low, but it remains to be seen whether these changes, and a gradual shortening of the pay range, will be enough to retain talented people as the economy improves (paragraphs 1.16 to 1.19 and 3.23 to 3.28).

Conclusion on value for money

18 There are clear capability gaps in the Senior Civil Service, which the government acknowledges. However, the centre of government lacks both useful data on existing skills and talent, and the power to make corporate decisions about deploying people effectively, so it cannot get best value from the leadership talent it has. There is also further to go in effectively measuring what level of performance is actually being delivered. At the same time, the government has yet to establish a clear and attractive offer for current senior civil servants and potential recruits. Therefore, while there are pockets of good practice in departments and professions, the picture does not represent optimum value for money.

19 The government's *Capabilities Plan* describes a new corporate approach to 'buy, borrow and build' capability. The proposed approach is coherent, innovative and ambitious in its vision of a civil service driven by strong technical professions. There has also been progress with the shared corporate arrangements and the tools, such as training and competencies, to support a strategic approach. However, the real challenge is shifting the long-established culture to create a unified, corporate leadership group that can work across departmental silos and make the most of the full range of its skills, and it is not clear how this shift will be achieved. It will also require good quality, transparent data and influential professions, neither of which is yet in place. Progress needs to be rapid, and must involve all senior civil servants, not just those on corporate talent programmes. Otherwise, there is a risk that economic recovery could see an exodus of the most talented and marketable senior people, just at the time that effective corporate leadership is needed to deliver the challenges of the remainder of the Parliament.

Recommendations

20 The Head of the Civil Service and permanent secretaries should:

- a** Clearly define the corporate leadership group, including:
 - which senior civil servants are part of that group;
 - who 'owns' this group, i.e. whether, like the new Fast Stream entrants, some or all of them are to be employed directly by the corporate centre; and
 - what this means for resolving conflicts between the corporate centre and departments, regarding the deployment or reward of individuals.
- b** Leading by example, encourage senior civil servants to be active members of a specialist profession and to keep their profession-specific skills and networks up to date.
- c** Ensure that SCS performance criteria are clear and measurable and aligned with departmental and cross-government objectives.

21 Permanent secretaries, working with the heads of professions and drawing on advice from government non-executives, should:

- d** Set out some clear principles on which the new, stronger role of professions should operate, including:
- whether there will be new, formal reporting lines to departmental heads of profession;
 - how to give sufficient weight to the opinion of the relevant heads of profession in decisions about SCS recruitment, deployment, performance management and succession; and
 - whether accountability and decision-making arrangements around the new specialist SCS roles, such as 'service managers' and 'digital leaders', will enable them to have a level of influence on strategic decision-making commensurate with their expertise.

22 The Cabinet Office should:

- e** Review, by September 2013, the effects of the changes to SCS pay flexibility and the new Pivotal Role Allowance, and consider what further corporate action may be needed to manage the capability risks from unevenness in pay across the cadre.

23 Civil Service HR, working with the heads of professions, should:

- f** Review whether the current set of 24 civil service professions reflects the specialist networks actually needed in the modern civil service and ensure that there is scope to realign or introduce additional networks when the new Professions Council is up and running.
- g** Review the demographic, performance, skills and other data currently collected on the SCS and the plans for new collections, such as by professions, to identify what data are needed and address duplication and data quality issues. The aim should be to have data collected once and shared, or transparently available where possible.
- h** Review the results of selection of senior civil servants for the new corporate talent programmes, to ensure that they represent sufficient breadth of professional backgrounds and diversity.
- i** Monitor the extent to which departments are releasing senior civil servants to access the new learning curriculum; working with departments, ensuring that learning time is adequately factored into workforce planning to avoid creating additional pressures.

Part One

The capability profile of the Senior Civil Service

Who are the Senior Civil Service?

1.1 The Senior Civil Service (SCS) comprises civil servants in senior management grades, from deputy directors to permanent secretaries. They provide senior management and leadership for 17 government departments and numerous arm's-length bodies.

1.2 The number of senior civil servants grew steadily from 2002 to 2010 but dropped in each of the last two years (**Figure 1**). In April 2012, there were 3,616 SCS employees, a 7.6 per cent reduction on 2011.^a The reduction in SCS numbers since 2010 broadly reflects falling numbers across the civil service, which has seen a 12 per cent reduction in total headcount.

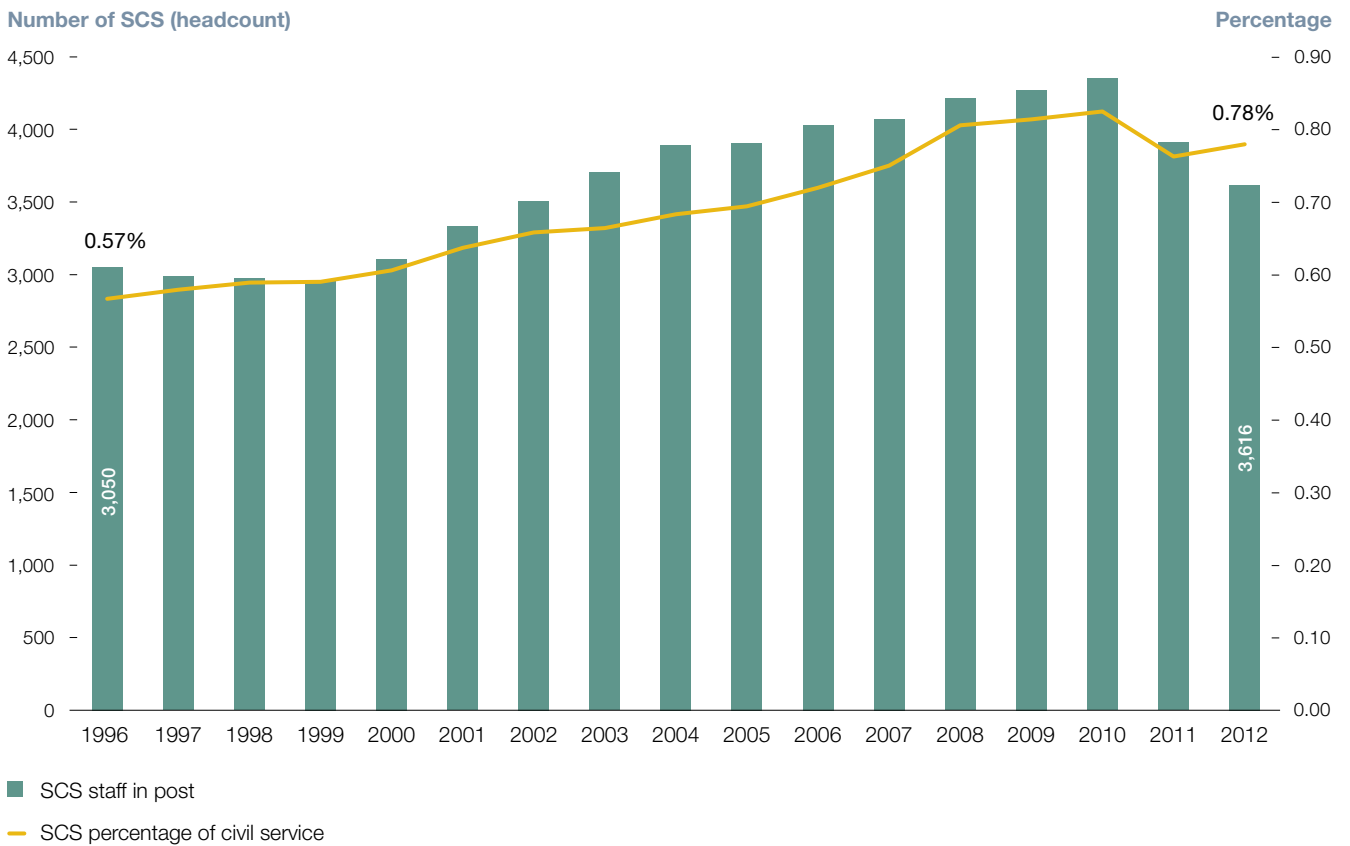
1.3 The SCS is distributed across departments, with the highest numbers in the largest departments (**Figure 2** on page 14). Some 76 per cent (2,753) of the SCS are deputy directors.

1.4 The civil service recognises more than 20 internal 'professions', each of which has a formal head of profession and an informal network. There are no reliable data on the professional backgrounds of senior civil servants. There is better, though incomplete, information on the classification of the posts they fill, which suggests that 29 per cent of senior civil servants work in policy development and 14 per cent in operational delivery (**Figure 3** on page 15).

^a This total is drawn from the Cabinet Office's SCS database and includes all senior civil servants classified as currently in post. The Cabinet Office's criteria for SCS classification exclude certain groups of senior officials, most notably all 400 members of the Diplomatic Service.

Figure 1
Size of the Senior Civil Service, 1996 to 2012

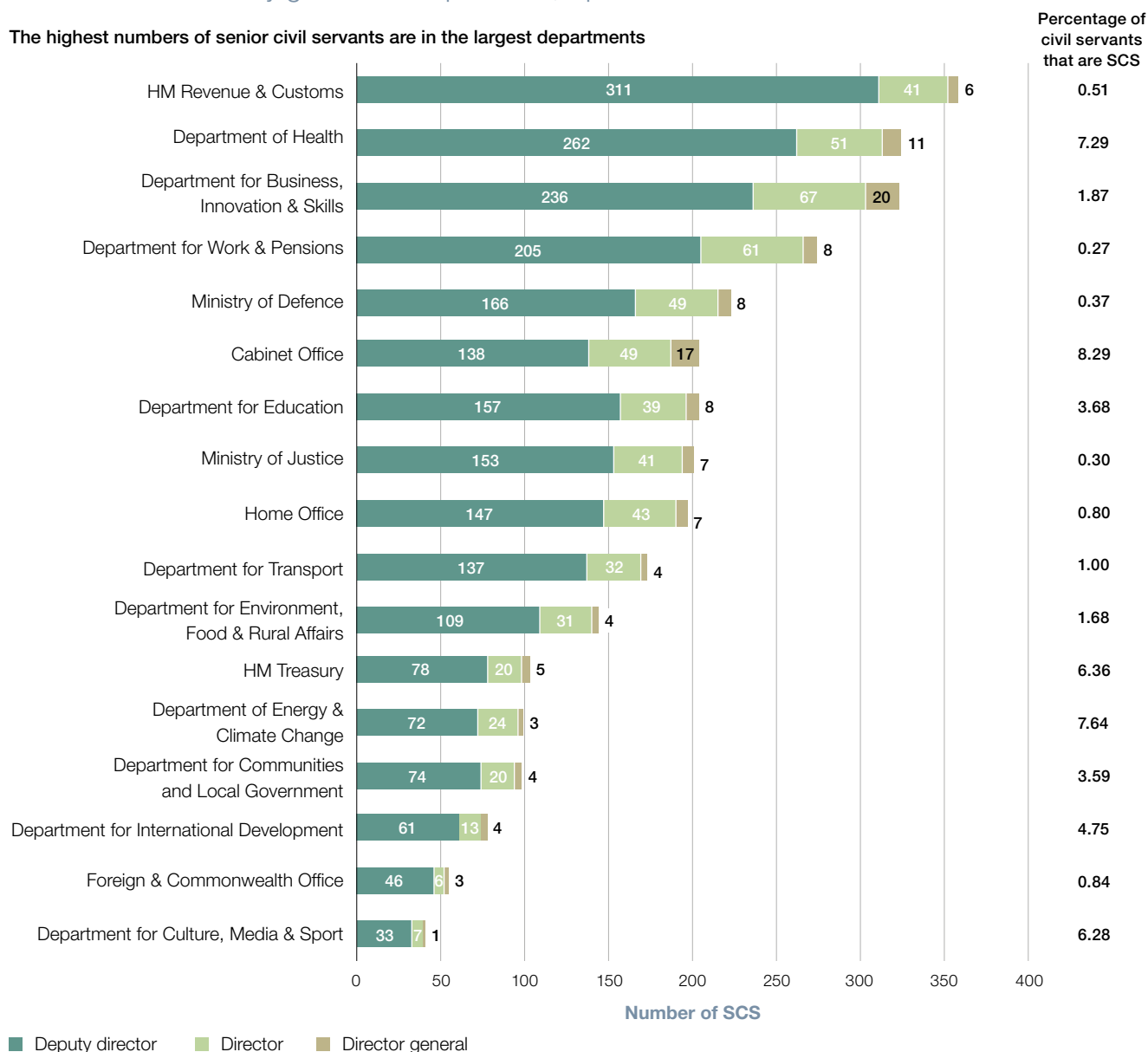
The number of senior civil servants grew steadily from 2002 but has dropped in each of the last two years of available data



Source: Cabinet Office, SCS database

Figure 2
Senior civil servants by grade and department, April 2012

The highest numbers of senior civil servants are in the largest departments



NOTES

- 1 This information, as with all of the data in the report, represents the most up-to-date set of departmental returns, which were collected in summer 2012 and are based on data at 1 April 2012. The figures show departmental families and include both the parent departments and their arm's-length bodies.
- 2 There are also 32 permanent secretaries within the SCS. Although most departmental families have one permanent secretary, the Ministry of Defence and the Cabinet Office have four each, the Department of Health has three, and the Department for Business, Innovation & Skills, HM Revenue & Customs and HM Treasury all have two.
- 3 The Diplomatic Service is not included in Foreign & Commonwealth Office figures.
- 4 The Department of Health also has six staff included in the database, but not allocated to a SCS grade.
- 5 The Department for Culture, Media & Sport provided a revised figure for the number of deputy directors – 33 rather than 26, as in the Cabinet Office's database. This revision has not been included in any other graphics or calculations in this report.
- 6 This excludes the following departments: Scottish Government (215 senior civil servants); Welsh Government (118); Attorney General's Departments (97); UK Statistics Authority (42); Export Credits Guarantee Department (12); Charity Commission (6); and Northern Ireland Office (1).

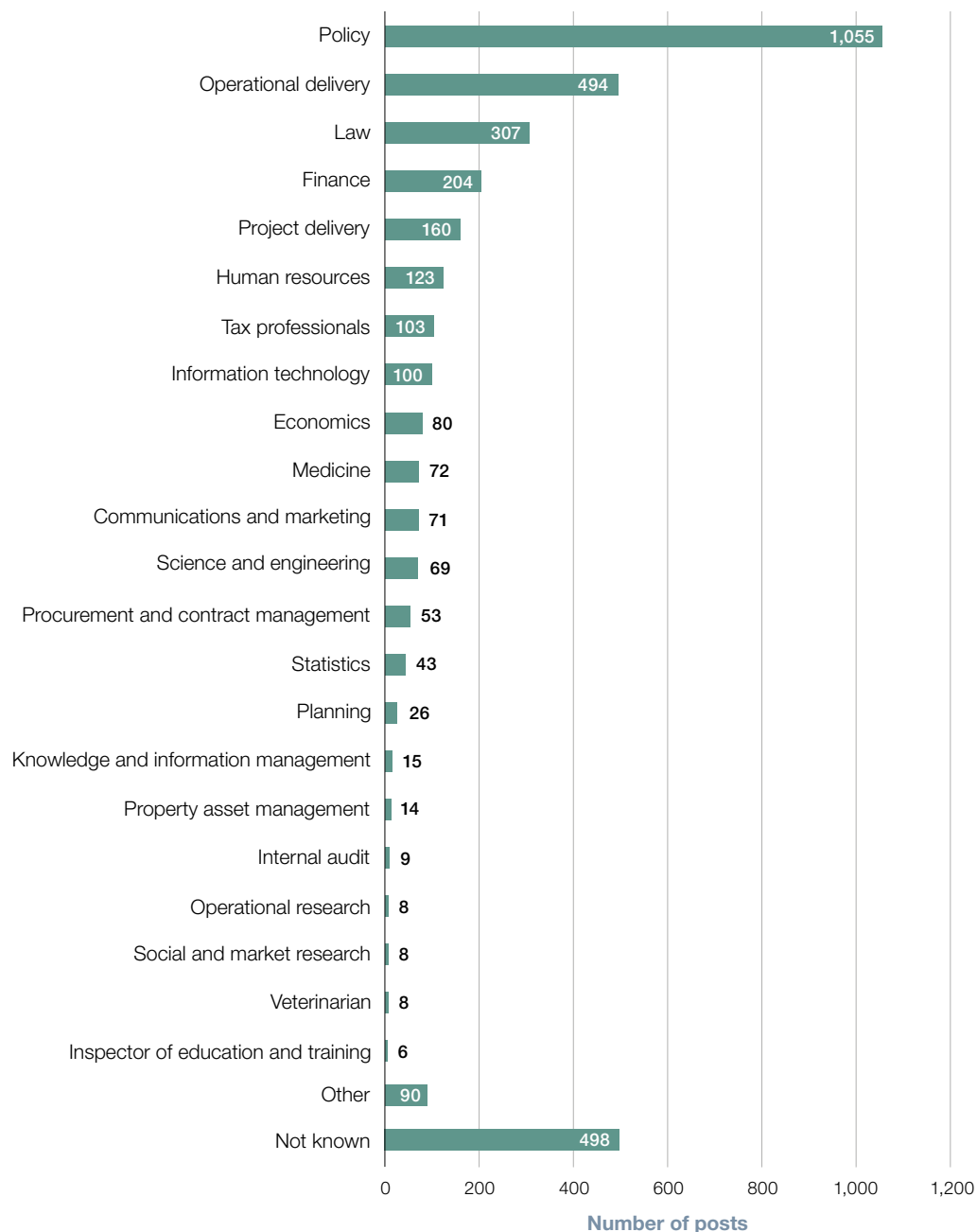
Source: Cabinet Office, SCS database

Figure 3

Classification of Senior Civil Service posts against civil service professions, April 2012

Almost half of senior civil servants work in either policy development or operational delivery

Civil service professions included in the SCS database



NOTE

1 Posts classified as 'other' are where departmental returns have listed a profession not within the standard list, or easily reclassified as such.

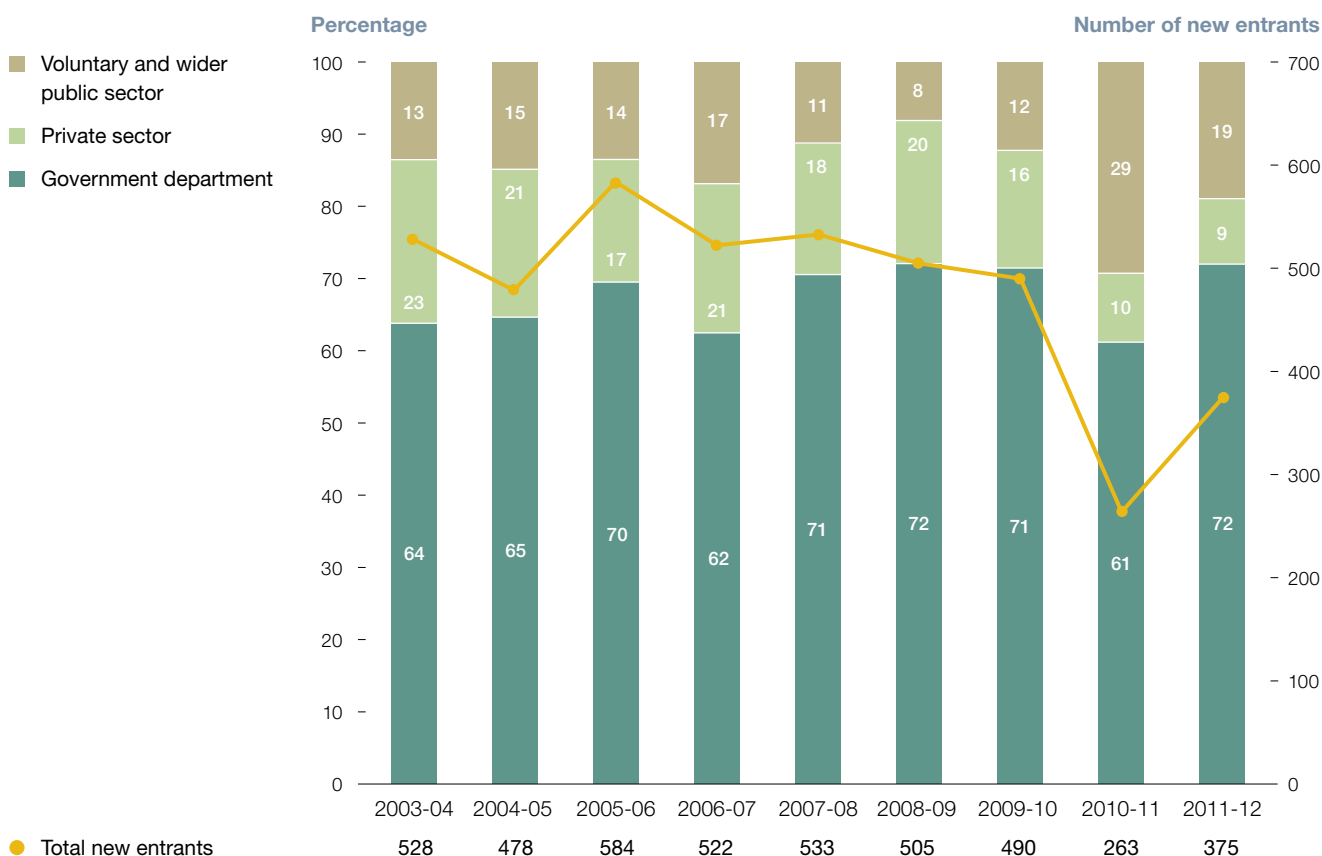
Source: Cabinet Office, SCS database

1.5 The number of new entrants to the SCS has fallen over the last two years. Most recruits to the SCS in 2011-12 (72 per cent) came from within the civil service and that proportion has remained fairly stable over the past decade. Of those recruited externally, the proportion from the private sector has decreased sharply since 2009-10, with a corresponding rise in the proportion of recruits from the wider public sector (Figure 4).

1.6 On average, around a fifth of all senior civil servants originally came from outside the civil service and they tend to be in specialist posts (Figure 5). External recruits are more heavily represented in specialist roles such as finance and ICT. In the key area of project delivery, the data suggest external recruits are less well represented than average.

Figure 4
New entrants by source employment sector, 2003 to 2012

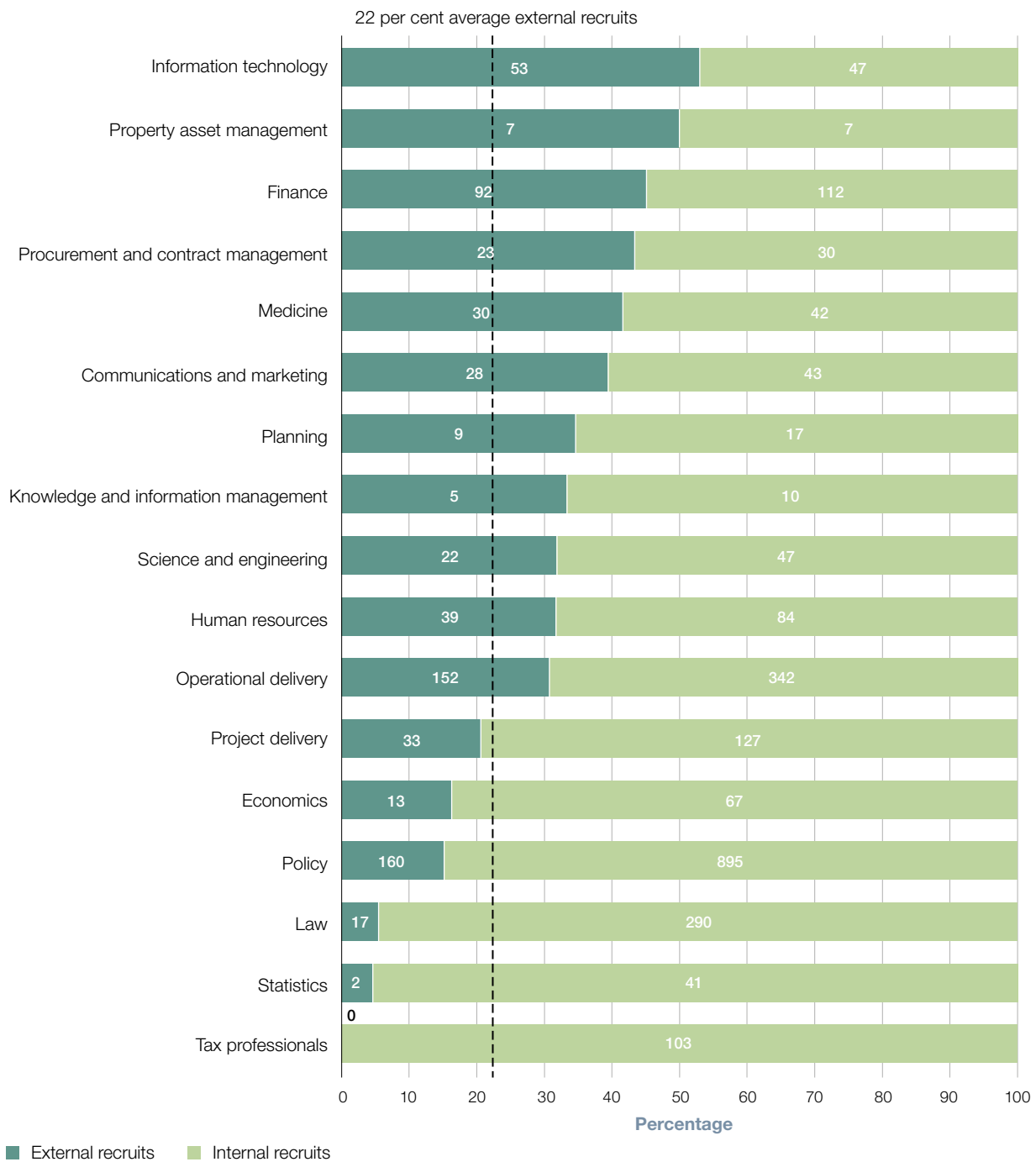
The number of new entrants has fallen over the last two years and fewer come from the private sector



Source: Cabinet Office, SCS database

Figure 5

Externally and internally recruited staff by type of post, April 2012

External recruits are more heavily represented in specialist roles such as finance and ICT

NOTES

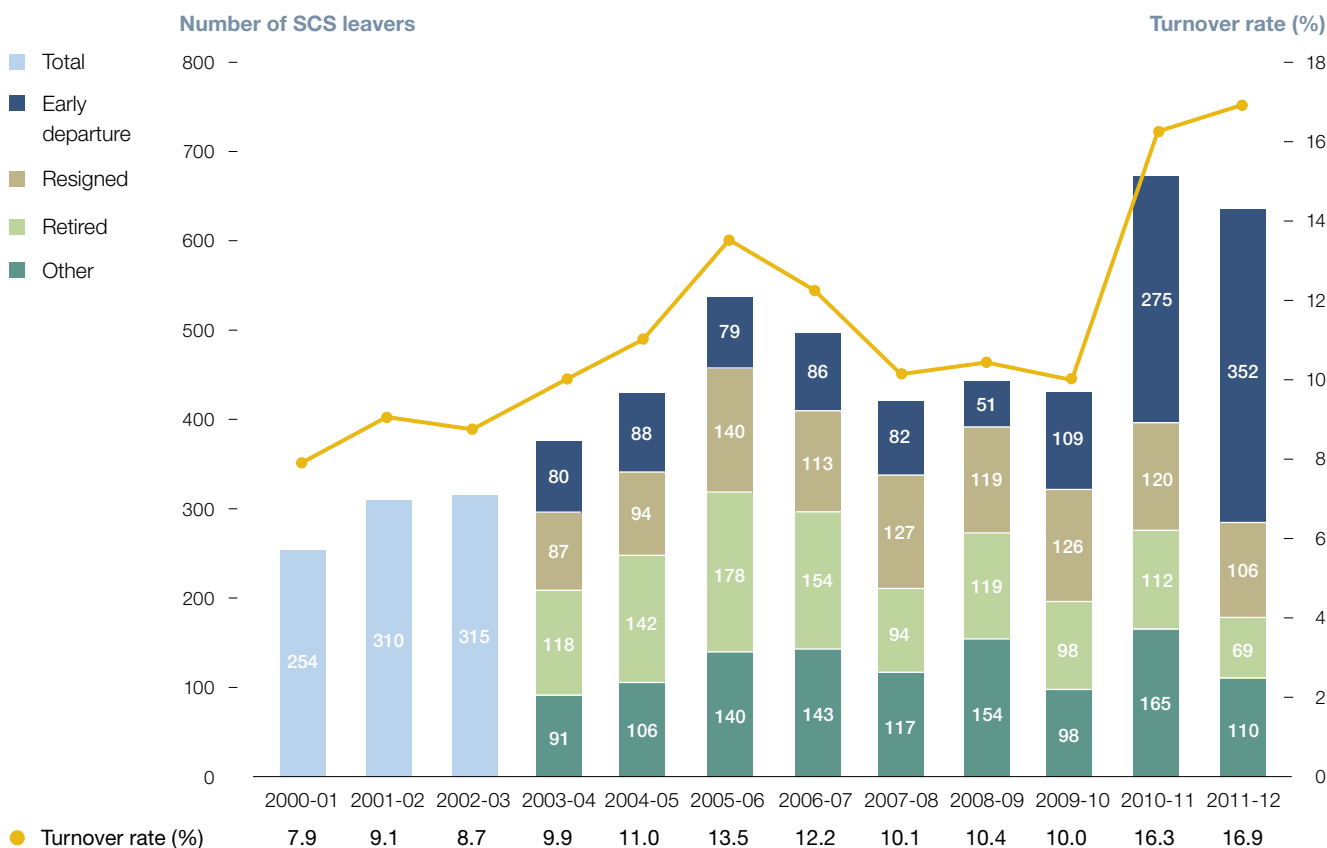
- 1 This Figure excludes all professions with fewer than ten members. It also excludes those senior civil servants not assigned a specific profession in Cabinet Office records. For a full list of professions, see Figure 3.
- 2 Figures on bars indicate actual numbers.

Source: Cabinet Office, SCS database

1.7 Although turnover in the SCS has risen sharply in the last two years (Figure 6), the proportion of the SCS who actually resigned has remained relatively constant (2.8 per cent in 2011-12). Over half of those who left the SCS in 2011-12 did so through voluntary or compulsory redundancy, early retirement or other severance schemes – a third of the SCS has left over the last two years, with a consequent risk of lost skills and corporate knowledge.

Figure 6
Senior Civil Service leavers, 2000 to 2012

A third of the SCS has left over the last two years



NOTES

- 1 Leavers and turnover include end of temporary promotions to the SCS, retirements, severances, redundancies, resignations, deaths, end of contracts and end of inward secondments to the SCS. Those leaving the SCS temporarily on an outward secondment are excluded.
- 2 Information on type of departure was not collected before 2003-04.

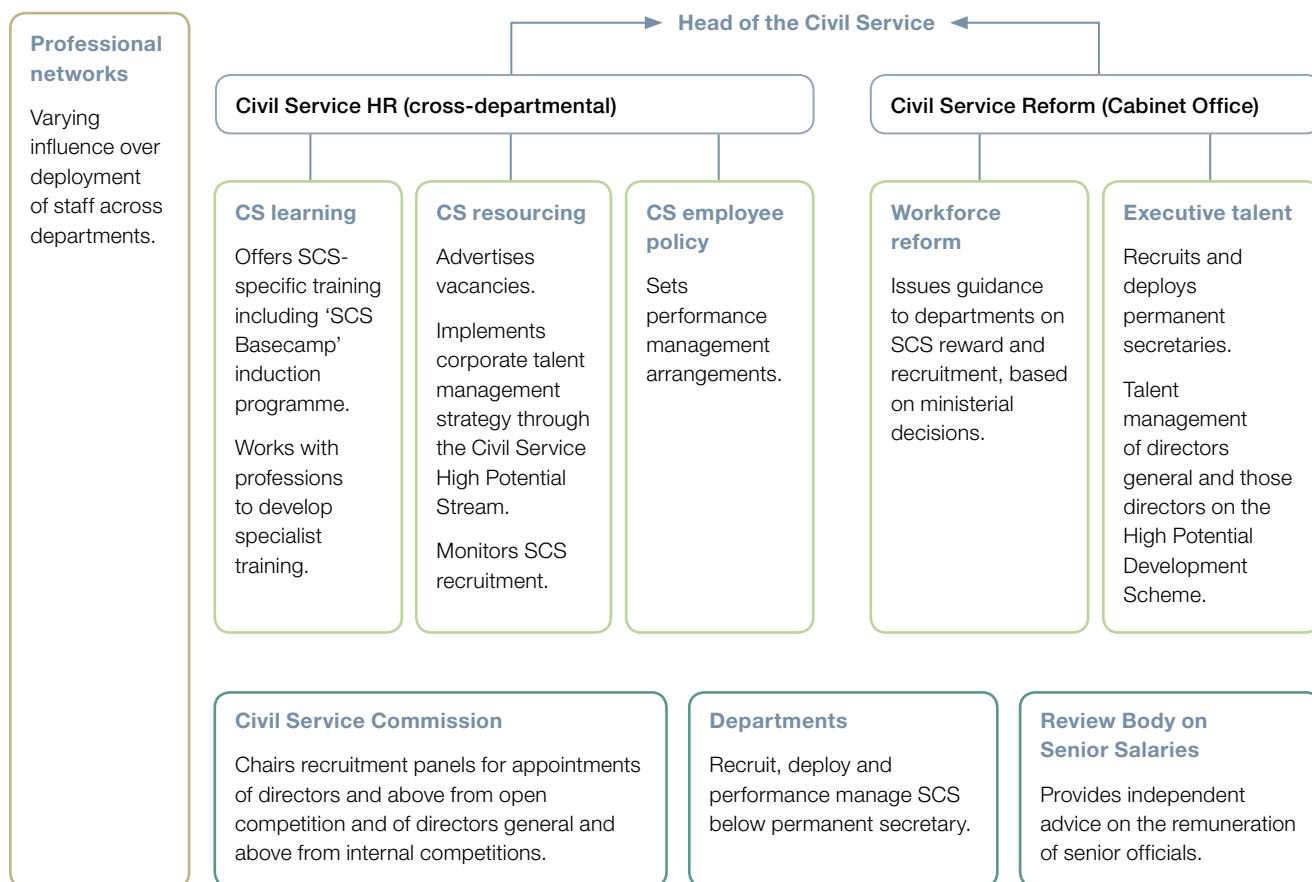
Source: Cabinet Office, SCS database

1.8 Women account for 37 per cent of the SCS (31 per cent at director grade and above).⁴ The gender pay gap within the SCS is now at its highest since it was first monitored in 2001. It has continued its upward trend in favour of men and now stands at 5.3 per cent, although that compares to an overall public and private sector pay gap of 9.6 per cent.⁵

Roles and responsibilities

1.9 Responsibility for managing and setting policy for the SCS is spread across different parts of government (**Figure 7**). Departments have line management responsibility for SCS staff (except for permanent secretaries who report to either the Head of the Civil Service or the Cabinet Secretary); in addition, several areas of the Cabinet Office play a role, as well as Civil Service HR, a cross-government shared service.

Figure 7
Roles and responsibilities for the Senior Civil Service



Source: National Audit Office

1.10 Departments are responsible for setting suitable reward structures and pay ranges for the majority of civil servants and are free to determine annual pay awards (within the overall restrictions imposed by HM Treasury). However, the pay scales and awards for the SCS are determined centrally and agreed by the Prime Minister, following advice from the Review Body on Senior Salaries.

Challenges for the management of the Senior Civil Service

Capability – skills, continuity and leadership

1.11 We reported in 2011 that there were significant skills gaps in the SCS.⁶ Despite some progress, such as in a higher number of professional finance qualifications, there are still key gaps and departments continue to be hampered by a lack of detailed information about SCS skills, even in the core profession of finance.⁷

1.12 Of the types of role filled by senior civil servants, the largest category is policy. The overriding cultural perception has historically been that the most likely route to progression is through policy roles rather than other specialisms such as finance, project management or science and engineering.⁸ We noted that senior civil servants in policy roles are more likely to be rated in the top performance group – they are nearly twice as likely to be rated as high-performing as those in communications or marketing (**Figure 8**).^b HR professionals – a much smaller group – are also significantly more highly rated.

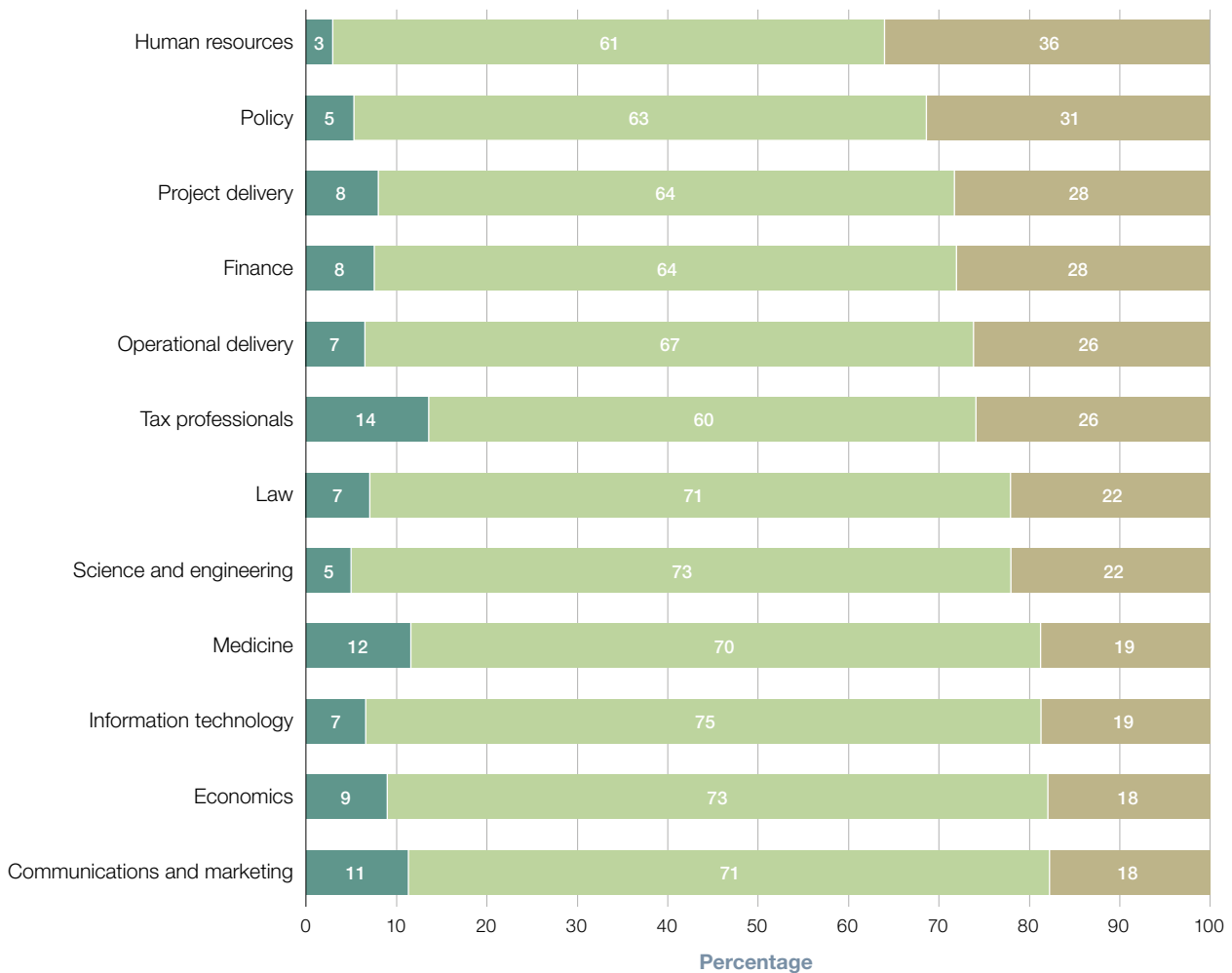
1.13 In December 2012, the Cabinet Office published data showing that of 15 permanent secretaries at the main delivery departments, four had significant operational delivery or commercial experience, and committed to increase this through stronger focus on these skills throughout recruitment and development.

1.14 The Committee of Public Accounts has regularly raised concerns about the impact of changes in project leadership.⁹ The Committee has questioned whether the priority of staff is to obtain broad experience in order to secure promotion, rather than maintaining responsibility for one continuous project. The last two to three years have seen a high level of churn in the SCS, particularly in some departments (**Figure 9** on page 22). The available data suggest that the median length of time that senior civil servants have spent in their current post is 2.6 years, with over a third having been in their current post for less than 2 years.

^b It is difficult to draw definite conclusions from this, but potential explanations include the performance rating system favouring certain professions as they allow for particular skills to be demonstrated more readily; or that professions such as policy attract higher performing officials, because they are seen as more likely to lead to promotion.

Figure 8
Performance rating distribution in 2011-12, by type of post

Senior civil servants in policy roles are more likely to be rated in the top performance group



- Low
- Achieving
- Top

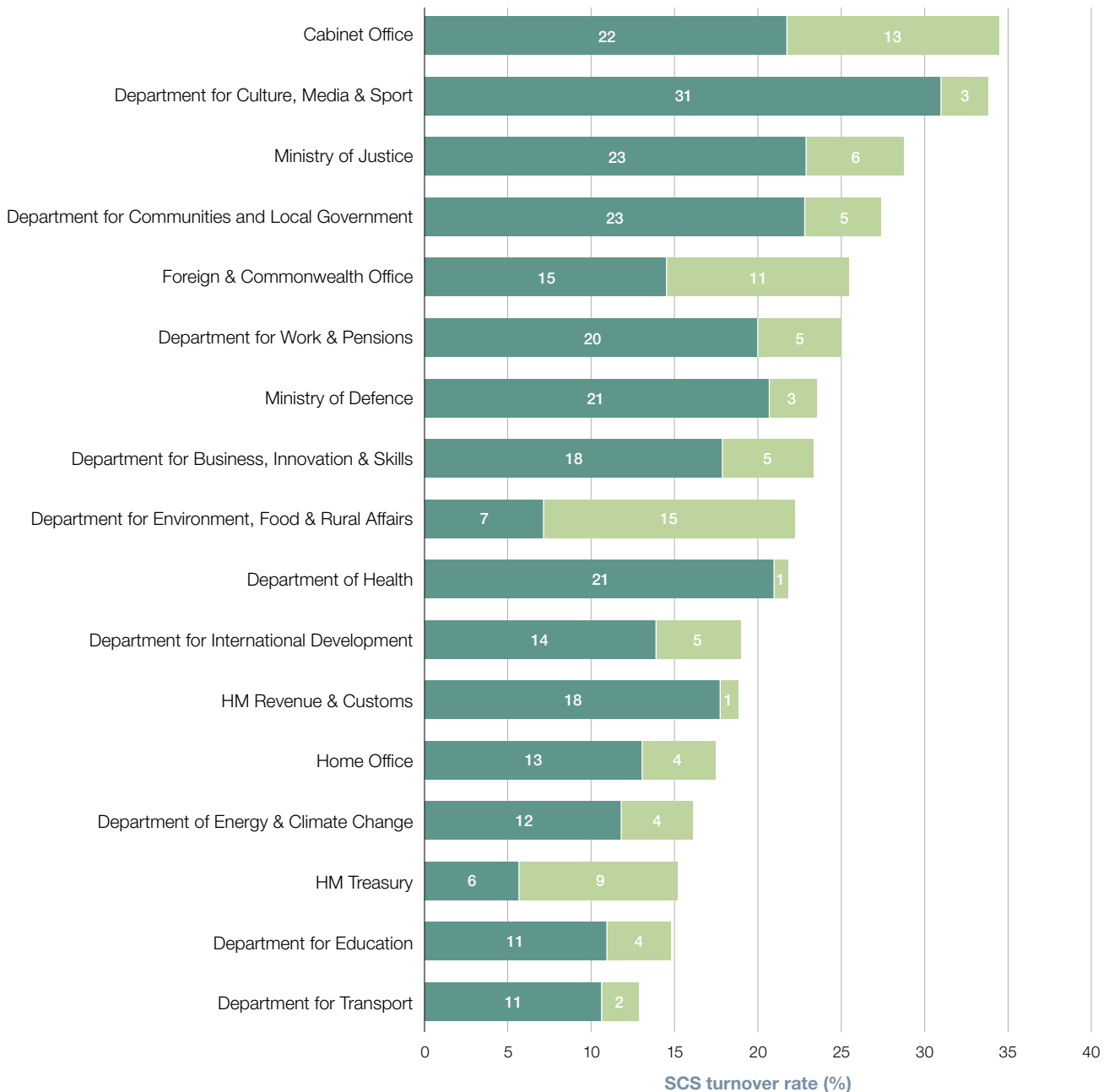
NOTES

- 1 Figures on bars indicate percentages. Rounding means they may not add to 100.
- 2 Senior civil servants have been ranked into three performance groups. Departments have been set a target distribution by the Cabinet Office of: 25 per cent top performers; 65 per cent achieving; 10 per cent low performers/must improve.
- 3 This Figure excludes all professions with fewer than 50 members. It also excludes those senior civil servants not assigned a specific profession in Cabinet Office records. For full list of professions, see Figure 3.
- 4 Twelve per cent of the senior civil servants in the database did not have an assigned performance rating.

Source: Cabinet Office, SCS database

Figure 9
Senior Civil Service movement by department in 2011-12

The SCS experienced a high level of churn in 2011-12



■ Staff leaving the SCS ■ Staff moving departments

NOTES

- 1 Staff moving departments includes loans out to another department, transfers to another department and end of loans from another department.
- 2 This Figure only includes the 17 main Whitehall departments. For a list of the bodies excluded, see the notes to Figure 2.
- 3 Numbers on bars indicate percentages.

Source: Cabinet Office, SCS database

1.15 The example of the Main Line West Coast franchise competition, where serious problems with the management of the project were not escalated effectively, highlights the risks that arise from a high level of leadership churn and gaps in project oversight, although these were not the only contributory factors we identified.¹⁰ Through the Government Major Projects Portfolio, the turnover of project directors and senior responsible owners is now being monitored by the Major Projects Authority, with the aim of reducing excessive and unnecessary change and improving the quality of appointments. In May 2013, we commended the Department for Transport for taking action to change the High Speed 2 programme, based on lessons from the failure of the West Coast franchise competition, by appointing a new, dedicated, director general and SRO.¹¹

1.16 Civil servants have consistently rated their leaders poorly for leadership and managing change, although there was a slight improvement in 2012 (**Figure 10** overleaf). The Cabinet Office compared the results of selected questions against surveys of the private sector in the UK, and of federal civil services in Australia, Canada and the USA. They concluded that “Civil Service benchmark results on leadership and managing change are noticeably below both UK and international comparators”.

Reward

1.17 As a result of the freeze on basic pay since 2009, senior civil servants have experienced a significant real-terms pay cut. **Figure 11** on page 25 shows how a senior official earning the SCS median salary will have experienced a real-terms pay cut of 17.4 per cent between April 2009 and March 2013. Changes to the value of pension benefits and bonus payments over the same period mean that the total diminution of the SCS reward package will be even greater.^c SCS pay already lags behind both the private and wider public sector, especially at the most senior levels (**Figure 12** on page 26).

1.18 The widening gap between SCS and private sector pay risks making it increasingly difficult for the SCS to recruit and retain the best people. The Civil Service Commission noted in 2012 that “there is an increasing danger that [low pay] is limiting the fields of candidates for some jobs, where the salary on offer is simply not competitive”.¹² Our discussions with departments indicated an effect on staff retention, with several reporting the loss of high-performing deputy directors seeking better pay.

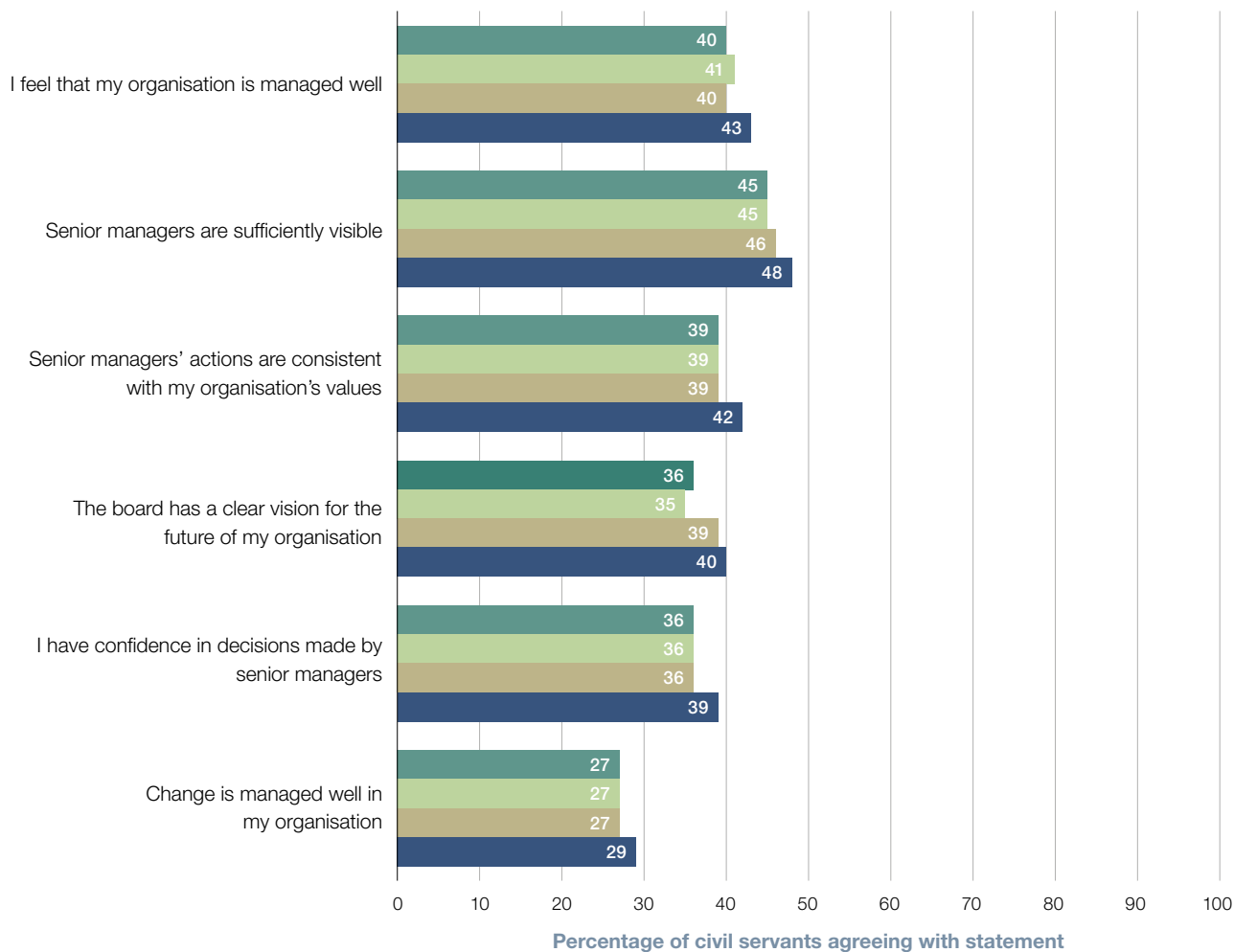
1.19 The Review Body on Senior Salaries considers that it is “not ... possible to reform the civil service without reforming the SCS pay structure”.¹³ The government has argued that the low resignation rate validates its argument that it does not need to match private sector pay to recruit high-level candidates. However, the Civil Service Commission has reported difficulty in recruiting to certain specialist positions and has expressed concern at the reduction in the number and quality of applicants.¹⁴

^c Since April 2011, pension benefits are indexed in line with the Consumer Price Index rather than the higher Retail Price Index. Future changes to civil service pensions include raising the pensionable age and moving from final salary to career average schemes. SCS can qualify for performance bonuses (non-consolidated performance-related pay – NCPRP). The bonus pot has more than halved over four years, from 7.4 per cent of total SCS base pay in 2009 to 3.3 per cent of base pay in 2012-13. Since 2011-12, only those rated in the top 25 per cent of the SCS can receive NCPRP.

Figure 10

Civil servants' views on the effectiveness of senior leaders, 2009 to 2012

Civil servants have consistently rated their leaders poorly for leadership and managing change



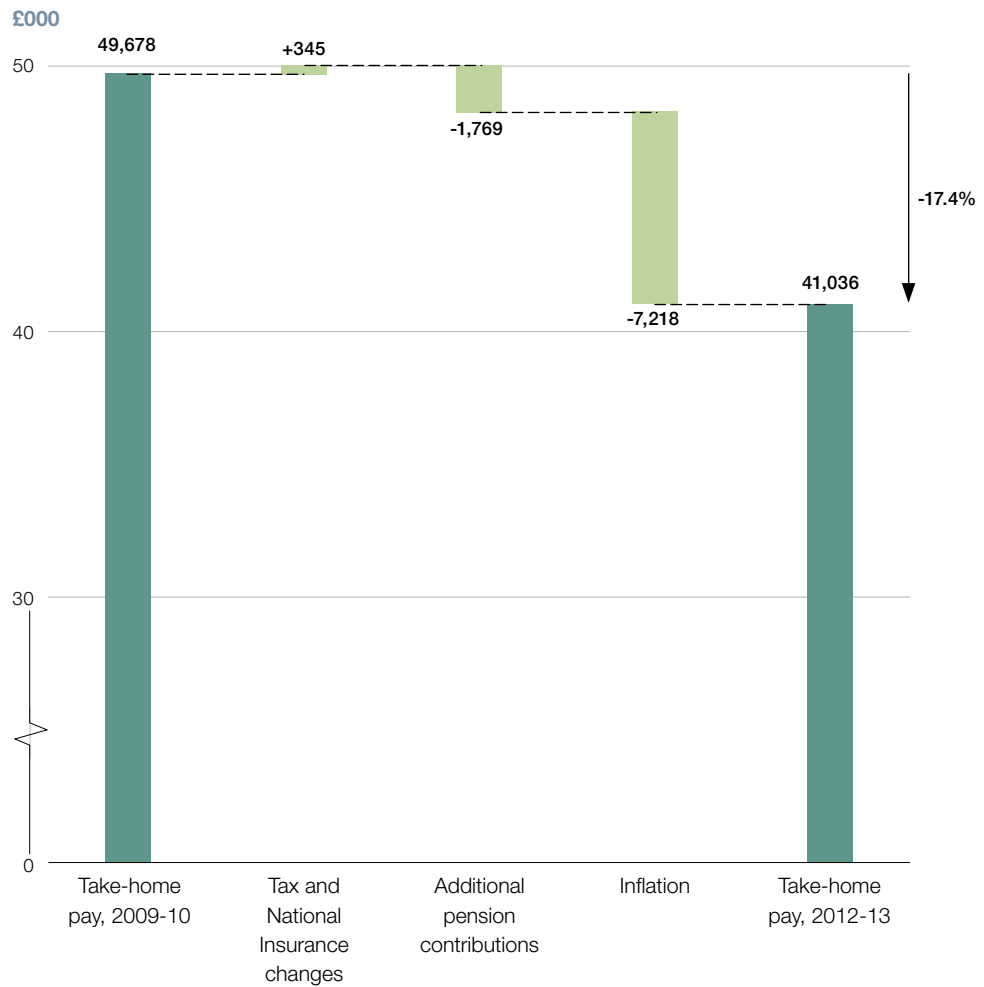
- 2009
- 2010
- 2011
- 2012

Source: Civil Service People Survey 2009 to 2012

Figure 11

Illustration of the erosion of Senior Civil Service pay, 2009 to 2013

Since 2009, senior civil servants have experienced a significant real-terms pay cut



NOTES

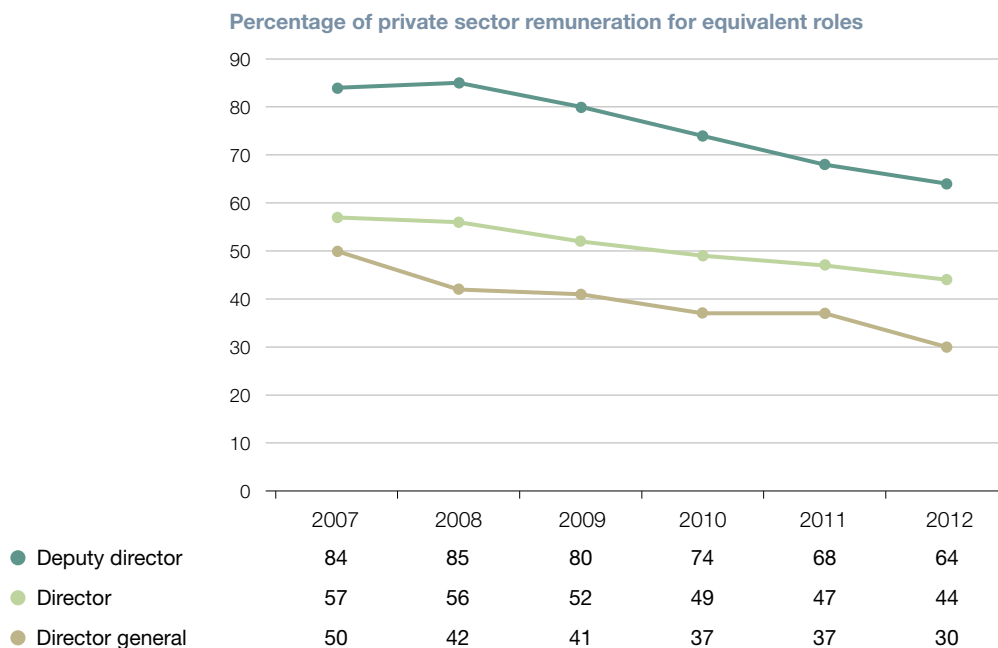
- 1 These calculations are based on a senior official earning £73,699 per year, the median salary for deputy directors in 2009. It assumes that, in line with the pay freeze, their salary remained unchanged between 2009-10 and 2012-13.
- 2 The effects of inflation reflect changes in the Retail Price Index between April 2009 and March 2013.
- 3 This illustration assumes membership of the classic pension scheme. Between 2009-10 and 2012-13, contributions in this scheme rose from 1.5 per cent to 3.9 per cent of salary. In April 2013, contributions increased to 6.25 per cent. Other civil service pension schemes have seen similar increases.
- 4 Take-home pay in 2012-13 is given in 2009 prices.

Source: National Audit Office analysis

Figure 12

Remuneration in the Senior Civil Service as a proportion of remuneration in equivalent roles in the private sector

SCS pay lags behind the private sector, especially at the most senior levels



NOTE

1 Remuneration in this figure includes both base salaries and bonuses.

Source: Hay Group, Reward benchmarking report – unpublished report to Cabinet Office, July 2012

Morale

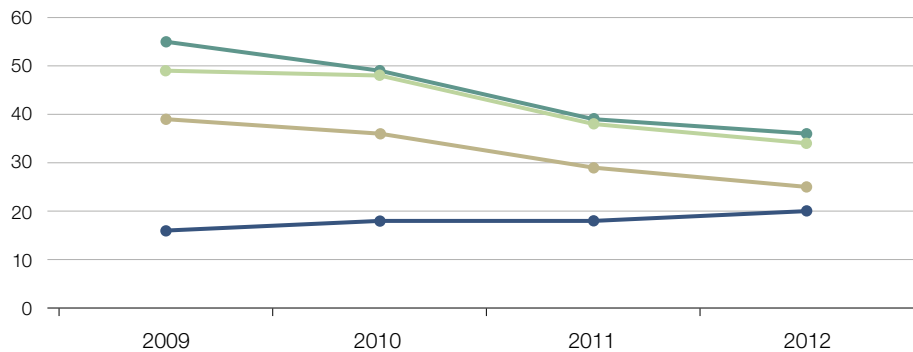
1.20 Satisfaction within the SCS with their pay and reward has fallen markedly in the three years since 2009 (**Figure 13**), although this has yet to translate into increased numbers planning to leave the SCS, possibly as a result of limited opportunities in a difficult economic climate. However, there is an unquantified risk that, as the economy recovers, the best talent with the most marketable skills may begin to leave in larger numbers.

Figure 13

Senior civil servants' attitude to pay and reward, 2009 to 2012

Satisfaction with pay and reward in the SCS has fallen markedly since 2009

Percentage of SCS agreeing with statement



Statement	2009	2010	2011	2012
● I am satisfied with the total benefits package	55	49	39	36
● I feel that my pay adequately reflects my performance	49	48	38	34
● Compared to people doing a similar job in other organisations I feel my pay is reasonable	39	36	29	25
● I plan to leave my organisation within the next 12 months	16	18	18	20

Source: Civil Service People Survey 2009–2012

The government recognises the urgent need for change

1.21 In 2008, the Cabinet Secretary asked a steering group led by Sir David Normington, then Permanent Secretary at the Home Office, to consider the strategy for SCS recruitment and reward.¹⁵ The report made 15 recommendations – nine on reward – but there has been very little change to the pay system, owing to the priority put on pay restraint. The review acknowledged that both internal and external appointments are necessary, but suggested that SCS long-term recruitment strategy should rely less on external recruitment. Changes since 2008 included the creation of Civil Service HR, which provides shared corporate HR services, but between 2008 and 2012 a coherent vision for the SCS was not articulated.

1.22 In June 2012, the *Civil Service Reform Plan*¹⁶ set out reforms designed to lead to transformational change across the civil service. The Plan, while emphasising the core strengths, roles and values of the SCS and civil service, recognised that key weaknesses must be addressed to successfully deliver modern public services with a smaller civil service at a lower cost. The government has said that in future it expects the civil service, and hence the SCS, to be “skilled, unified, open and accountable”. As we reported in January 2013, the successful delivery of a highly effective leadership cadre, sufficiently skilled, networked and empowered to work differently and challenge traditional structures, is now urgent.¹⁷

1.23 In April 2013, the government produced, for the first time, a five-year plan for improving skills and performance across the civil service. The *Capabilities Plan* focuses on four priority areas of capability: leading and managing change; commercial skills and behaviours; programme and project management; and digital delivery.¹⁸ It sets out actions for individuals, departments and the civil service as a corporate entity, and attempts to address the majority of the long-running issues described above, setting out expectations that senior civil servants should in future:

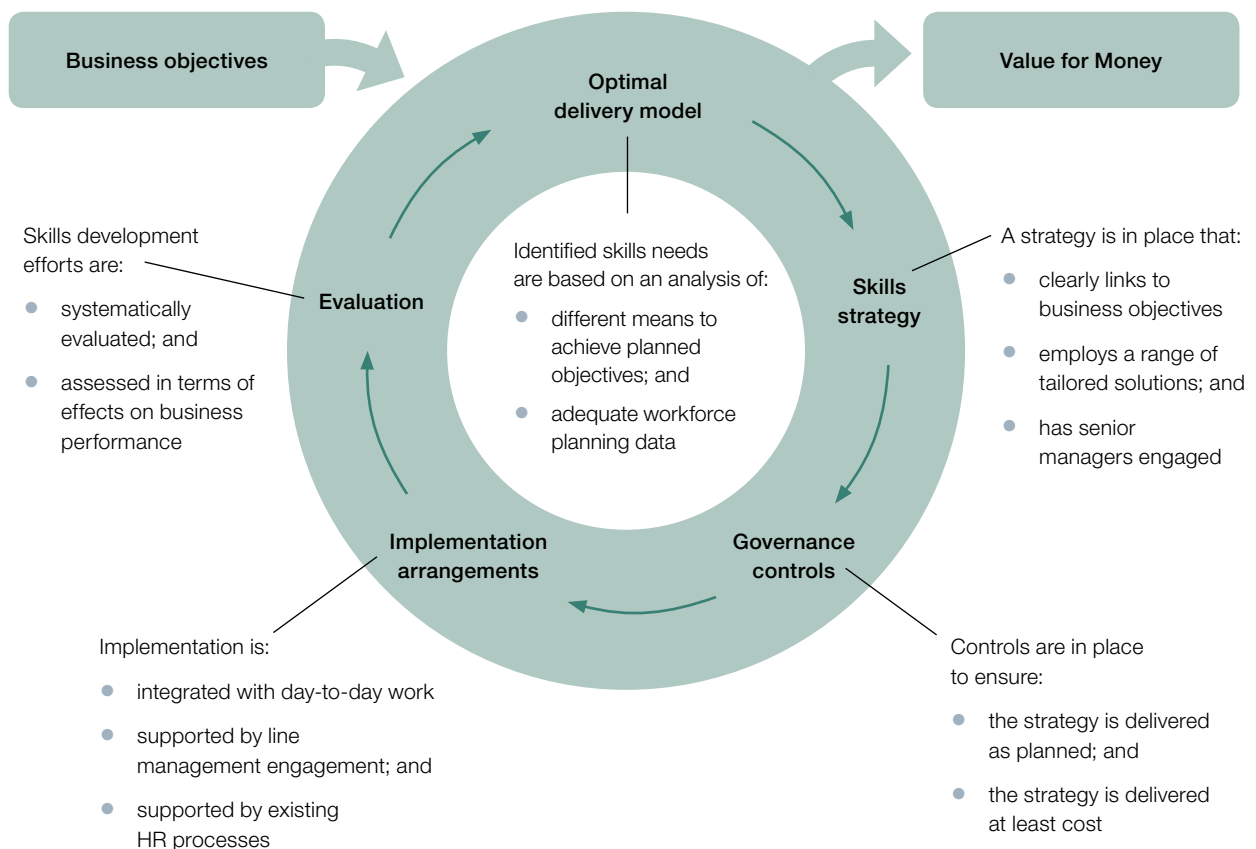
- stay long enough in key roles to see projects or changes through;
- have a broad range of experience;
- be role models in implementing the new approach to capabilities, supporting individuals and ensuring teams have the right mix of skills and competencies;
- move out to gain experience in another sector; and
- build a diverse career background – combining experience in project delivery, digital service delivery and commercial activities as well as policy before reaching a senior policy role.

Part Two

Developing a strategic approach to leadership

2.1 In our 2011 report, *Identifying and meeting central government's skills requirements*, we set out a framework, based on a management cycle, to assess the government's approach to identifying and meeting skills requirements (**Figure 14**). With the publication of the *Capabilities Plan*, the government has for the first time set out its intention to develop a corporate, strategic approach to the civil service, including SCS capabilities. In this part and the next, we use our 2011 model to examine how far the drivers and supporting processes for this approach are beginning to come together.

Figure 14
A model for strategic management of the Senior Civil Service



Emerging work on a clear 'operating model' for government is helping drive a new corporate approach to leadership

2.2 The starting point for a strategic workforce model is the business's objectives and optimal delivery model. Departments have carried out their own workforce planning, and undergone periodic Capability Reviews. However, the government has not historically set out clear delivery models in each department to underpin these plans, still less joined these up across the whole of government.¹⁹

2.3 Agreeing with the Committee's concern about this, the government commissioned a review of six departments' destination operating models.²⁰ In April 2013, the Head of the Civil Service updated the Committee on this work which was still developing. He acknowledged that, although progress had been made in articulating new approaches to delivering services and identifying ways of 'joining up' departments, there was not yet a "systematic commitment to a unified 'HM Government Operating Model' ". This fundamental work will be an iterative process.

2.4 There are, however, some developments, driven from the centre of government, which are already demonstrating a more coordinated approach to improving government's capability:

- The Government Major Projects Portfolio captures details of the largest and most strategically important projects across government. The Major Projects Authority, which also carries out assurance reviews of major projects, can therefore identify where projects are lacking senior skills.
- Under the *Government Digital Strategy*,²¹ departments are identifying services for digital redesign, and the Government Digital Service is helping boards to identify 'digital leaders' at SCS level with suitable experience and skills.
- The Procurement Reform Programme aims to create a new operating model for central government procurement operations, to improve efficiency and make the best use of commercial skills across government.

Robust information on current SCS capability is still lacking

2.5 Strategic workforce plans require reliable data on current capability, but these data still do not exist. The Cabinet Office specifies the set of information on the SCS used by the centre of government, and commissions the Office for National Statistics to collect the data from departments in an annual survey. However, we found these data have significant limitations in completeness, relevance and reliability:

- They do not include around 850 senior officials, who are however included in the Annual Civil Service Employee Survey. This includes 400 members of the Diplomatic Service, representing almost all senior staff at the Foreign & Commonwealth Office. In practice, individuals are increasingly moving between the Diplomatic Service and the traditional SCS, but management information has not kept pace.

- There is no central data on the number of unfilled SCS vacancies and how long they take to fill. Nor is there good information on staff exits – why people are leaving and what skills they may have taken with them.
- Redundant data are collected (for example, outdated information on Professional Skills for Government), but useful data (such as whether people work in the parent department or an arm's-length body) have been omitted until 2013.
- There is inconsistency in how departments classify the profession of individuals and posts. Evidence suggests they use certain professions as a 'catch all' for posts not easily categorised. For example, the survey classifies some 500 senior civil servants as working in operational delivery, whereas the operational delivery profession estimates that there are approximately 120.
- We found a lack of effective controls over the completeness of data provided by departments, with the Cabinet Office unable to verify whether all officials are included.

2.6 The Review Body on Senior Salaries called on the Cabinet Office in 2012 to collect more data on recruitment and retention trends.²² The difficulties are essentially caused by the poor understanding departments have of skills, and a lack of incentive to ensure the accuracy of information provided to the corporate centre. Some new initiatives on data collection are now getting under way:

- the *Capabilities Plan* announced that departments will henceforth carry out annual skills reviews to establish a baseline and identify emerging requirements;
- a new central database of commercial specialists, recording each person's experience and skills, will be populated by departments;²³ and
- Civil Service Resourcing is developing systems to capture data on senior civil servants selected for the new cross-government talent programmes.

These new systems will need to be consistent and well thought-through to avoid duplication and waste, and there will need to be clear incentives for departments to provide good quality data to populate them.

Ownership of SCS capability needs to be clarified

2.7 Responsibility for different aspects of managing the SCS is dispersed across various parts of government, with departments ultimately having the final say over recruiting, promoting, moving and releasing the majority of staff (Figure 7 on page 19). The Cabinet Office Executive Talent Team actively manages succession at the highest levels only; director general and permanent secretary appointments require ratification by the Senior Leadership Committee, chaired by the Head of the Civil Service.

2.8 Some groups of professionals within government have been able to exert influence over this decision-making and coordinate the pipeline for succession more effectively. For example, the HR professional network has strong data on its SCS members and a clear view of its 'high-fliers' and their development needs. This enables it to be actively involved in recruitment, succession planning and deployment across Whitehall. The potential of the professions to drive up capability by advising on appointments is very great, but they vary widely in their effectiveness as networks, resources, data on their membership and the status in government (Figure 15).

2.9 The *Capabilities Plan* aims to strengthen dramatically the authority and influence of the professions over departmental appointments, succession planning and cross-departmental talent management. It has announced a new Civil Service Professions Council to coordinate the professions, allowing them to work as a coherent force and maximise their overall contribution. Underlining this, Lord Browne, the Government Lead Non-Executive, recently recommended a greater role for the Major Projects Authority in the appointment of project leaders, including the right to nominate and veto candidates.²⁴ In the procurement profession, steps are being taken to strengthen reporting lines from commercial directors in departments to the Chief Procurement Officer. The proposed shift to greater professional influence is ambitious, as it will require a change to the long-established culture of departmental autonomy. It remains to be seen whether the professions can mature quickly enough in their influence to meet the challenge.

2.10 Overall, the *Capabilities Plan* and the actions within it have the potential to set a clear direction for increased SCS capability, while further underpinning cultural change work continues. Many of the proposed changes target capability in the SCS first. The next part of the report looks at the underlying HR processes and systems in place to support implementation of this approach.

Figure 15

The civil service professions

The *Capabilities Plan* set out 24 recognised professions in the civil service, though this list may not be definitive

Communications and marketing	Internal audit	Planning	Schools inspection
Corporate finance	Knowledge and information management	Policy	Science and engineering
Economics	Legal	Procurement	Social research
Finance	Medical	Project delivery	Statistics
Human resources	Operational delivery	Property asset management	Tax
Information technology	Operational research	Psychology	Veterinarian

Nearly 500 senior civil servants were not identified as part of any of the existing professions in the SCS database, which may suggest they did not feel any of the groupings reflected their skills or role. Each profession is a loose network of individuals, led by a government head of profession. Many also have departmental heads of profession.

Professions vary widely in their approach:

- The finance profession now has a greater senior presence in Whitehall and has established the Finance Transformation Programme to develop the skills and capabilities of finance professionals, and to better incorporate financial management principles within strategic decision-making. However, it needs to improve its data on skills.²⁵
- The policy profession, which covers almost a third of SCS posts, has little central information on its members. Its role varies across departments, and departmental policy profession leads do not routinely capture the policy capabilities of all their members.

The professions are working with Civil Service Learning to developing training curricula, and professional competency frameworks, to sit alongside the core, civil service wide competencies.

Source: National Audit Office

Part Three

Shared processes to support implementation of the strategy

3.1 The *Capabilities Plan* makes it clear that the government will aim to “build, buy and borrow” the senior level capabilities it requires in a corporate way. This section examines to what extent the shared HR processes and management engagement are in place to support the implementation of this new approach (Figure 14 on page 29). We examine:

- recruitment;
- performance appraisal;
- talent management and promotion;
- learning and development;
- deployment; and
- pay and reward.

Recruitment

3.2 Around 30 per cent of new SCS recruits come from outside the civil service (Figure 4 on page 16). Departments must follow corporate guidance on recruitment methods for director general and permanent secretary posts but not for lower grades. Input from the professions and Civil Service HR has been patchy (paragraphs 2.7 to 2.8). This risks inefficiencies in recruitment, with departments potentially competing for similar candidates and having little incentive to act in a corporate manner.

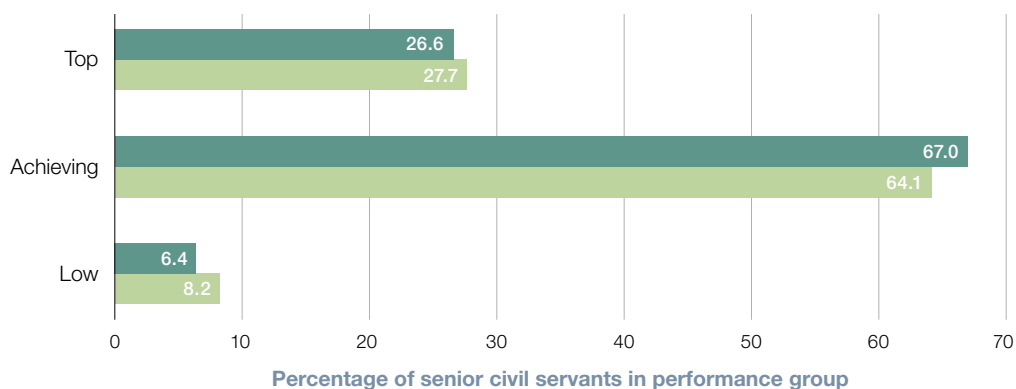
3.3 The Cabinet Office has never quantified the additional costs of external recruitment, either in terms of recruitment exercises or higher salaries, and lacks a sufficiently robust understanding of the benefits of bringing in outside talent. The Public Administration Select Committee (the Select Committee) pointed out in 2010 that ‘discussion about the effectiveness of external recruits is limited ... by a lack of hard evidence’.²⁶ Data suggest that external recruitment does not translate consistently into stronger performance. Performance data from 2011-12 show that external recruits to the SCS are more likely to be rated as high performers, but are also more likely to be rated in the lowest performance group (Figure 16).

Figure 16

2011-12 performance of internal and external recruits to the Senior Civil Service

External recruits are more likely to be rated as high performers, but are also more likely to be rated in the lowest performance group

Performance group



■ Internal recruits
■ External recruits

NOTE

1 Twelve per cent of the senior civil servants in the database did not have an assigned performance rating in 2011-12.

Source: Cabinet Office, SCS database

3.4 The Select Committee reported that 'private sector recruits have sometimes struggled to adapt to working in the Whitehall political environment'. Such difficulties can be exacerbated by unclear priorities and a lack of open feedback. An effective induction to the SCS is part of giving external recruits the best chance of performing well.²⁷ The *Capabilities Plan* announced that the 'Base Camp' induction programme for all new entrants to the SCS will be updated in July 2013 to reflect current civil service priorities.

3.5 However, training is only part of the answer. Recruitment consultants told us that departments need to be clearer about the skills they need when recruiting. The Civil Service Commission noted that departments either do not have a clear idea of their skills requirements or they do not give recruiting the right people sufficient priority.²⁸ Matching the right person to the job is particularly important when the widening gap between SCS and private sector pay (Figure 12 on page 26) means the pool of external candidates for SCS vacancies is shrinking. The discrepancy in salaries makes it particularly difficult for the SCS to recruit people in mid-career, as they are less likely to be able to accept a drop in salary than those towards the end of their career who have had longer to build up a pension pot.

3.6 The *Capabilities Plan* confirms that the SCS will continue to buy in external skills to strengthen digital, commercial and project management capabilities, and announced that the Government Digital Service will create a recruitment hub to help fill digital roles across government. This should support more coordinated digital recruitment and could be replicated in other specialisms.

Performance appraisal

3.7 Parliament has regularly raised concerns about performance management in the SCS, considering that poor performance is not always addressed and senior officials not effectively held to account.²⁹ Objectives for permanent secretaries were published for the first time in 2012-13 and are expected to inform objective-setting through the SCS. However, the lead non-executive director for government told the Committee that, despite improvements, objectives in the SCS are “not to the standard where you really could evaluate someone ... it is very difficult to measure whether they are underperforming”.³⁰

3.8 Since 2011-12, senior civil servants have been ranked according to three performance groups. The Cabinet Office set departments a target distribution of: 25 per cent high performers; 65 per cent achieving; 10 per cent low performers/ must improve. The overall SCS results for 2011-12 were close to this distribution, but showed considerable variation between departments. Within the large departments, the proportion of senior officials ranked as low performers ranged between 1 per cent and 11 per cent, while the proportion rated high performing varied from 25 to 35 per cent.

3.9 Several departments told us that they sought to strengthen performance appraisal and management by training their senior staff in giving constructive feedback and ‘having difficult conversations’. The new common competency framework is a key step, and has been well received by departments, but ensuring the consistent application of appraisal across the SCS remains a key challenge. Lack of consistency could undermine confidence in the ratings issued by departments and hamper more effective corporate management of the SCS.

Talent management and promotion

3.10 Identifying individuals with leadership potential and providing them with targeted development opportunities helps to retain and promote the most able staff. It also strengthens succession planning by providing a clear picture of the people ready to progress to the next grade.

3.11 Centrally-run talent development schemes have not previously covered the entire SCS. The highly-regarded graduate Fast Stream programme operates at a much lower level. At the other end of the scale, the Cabinet Office has run development programmes for directors since 2004 and directors general since 2009. However, there have been no comparable corporate schemes for the key 'feeder' grades of deputy directors, or Grade 6 staff who sit immediately below the SCS. Some large departments, such as the Department for Work & Pensions and the Foreign & Commonwealth Office, have run their own talent development schemes to address this gap.

3.12 Civil Service HR is part way through launching a set of new corporate programmes, collectively the Civil Service High Potential Stream, to strengthen the future pipeline for Top 200 roles (**Figure 17** overleaf).^d While it is too early to evaluate these programmes, taken together they have the potential to create a coherent system for identifying and training high-potential people at every level of the SCS and the grades immediately below, and combine with the Fast Stream and new Apprenticeship Scheme^e to provide development programmes covering all levels of the civil service.

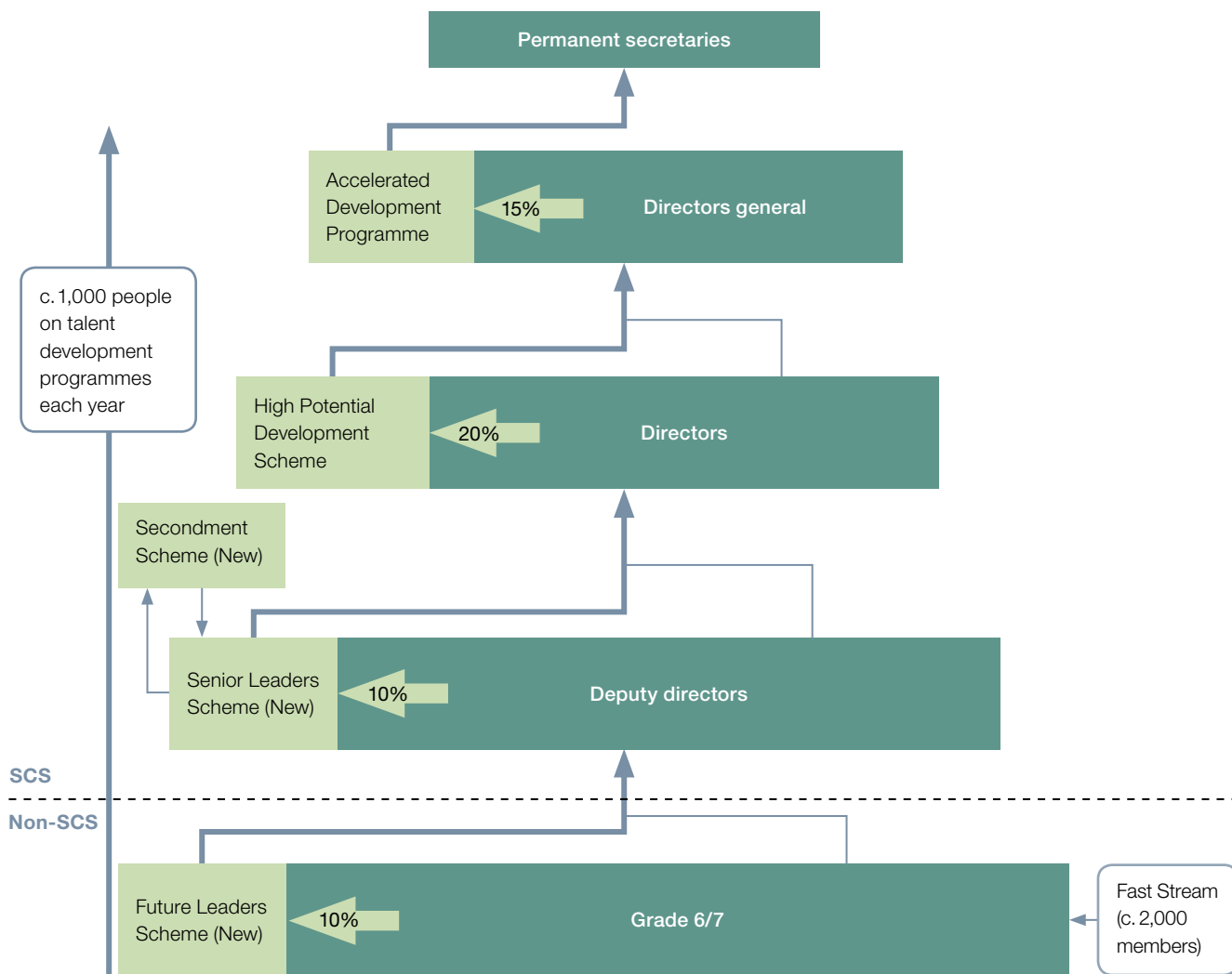
3.13 The Department for Work & Pensions sees its Executive Talent scheme, aimed at deputy directors with leadership potential, as broader and complementary to the new corporate scheme, and will operate the two in tandem. By contrast, the Foreign & Commonwealth Office intends to discontinue its own talent programme in favour of the corporate schemes. To achieve the aims of the *Capabilities Plan*, Civil Service HR will need to ensure that they get the right balance of participants from departments and professional backgrounds. They will also need to work with departments to remove any unnecessary overlap and ensure consistency.

3.14 As part of the new talent development programme, all members of the SCS will be assessed against the nine-box grid (**Figure 18** on page 39). This is a separate exercise from the annual appraisal assessment (paragraph 3.9) and will be centrally moderated to ensure consistency across government.

d Full details of the High Potential Stream will be in the *Civil Service Talent Strategy*, due for publication in summer 2013.

e The Civil Service Apprenticeship Scheme was launched in April 2013 to run alongside the Graduate Fast Stream and attract promising school-leavers to the civil service.

Figure 17
Civil Service High Potential Stream



NOTES

- 1 The percentages in the figure show the proportion of people in each grade considered for talent programmes. The numbers who actually participate in each scheme will be considerably lower but at this stage the Cabinet Office does not have estimates for this.
- 2 To underpin these programmes and allow for greater consistency across government, Civil Service HR launched the Civil Service Talent Toolkit in October 2012 and the Civil Service Competency Framework in April 2013.
- 3 A new policy on loans and secondments to support staff movement between departments was launched by the Civil Service Employee Policy team in April 2013.

Source: National Audit Office analysis of Civil Service HR documents

Figure 18
Nine-box grid for use in talent identification

Grid for SCS – Definitions

Potential ↑	Likely to progress beyond current grade	Early promise (4+ years)	High potential (1–3 years)	Star performer (Ready now)
	Could progress beyond current grade	Future achiever	Solid contributor	Strong performer
	Best suited to current grade	Under performer	Satisfactory contributor	Good performer
		Inconsistent or incomplete performer	Fully effective	Exceptional performer
		← Unclassified → Performance		

Source: Civil Service HR

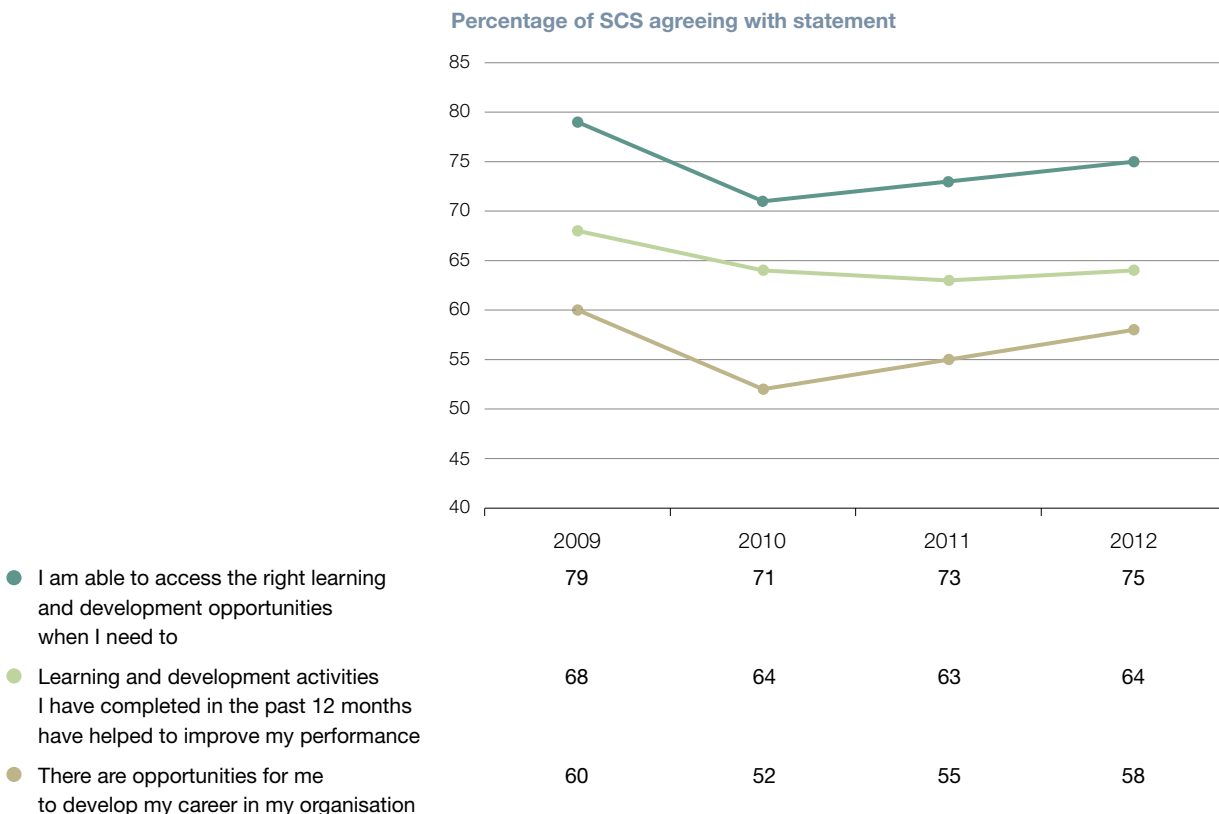
Learning and development

3.15 Providing high-quality learning and development is essential to the 'build' part of the new strategy. Civil Service Learning (CSL) has, since April 2011, been responsible for all generic learning and development across the civil service, which was previously devolved to departments and the former National School of Government. CSL aims to improve the standard and consistency of training across government.

3.16 The range of training on offer has grown gradually and now includes a range of learning modules targeted at the SCS, delivered by e-learning, face-to-face training, and workplace learning. After a slow start, during which SCS opinions of the learning and development offer took a negative turn, the new approach may have started to bed in (**Figure 19**).

Figure 19
Senior Civil Service views on learning and development, 2009 to 2012

Opinions of the learning and development offer have started to improve, but are still worse than in 2009



Source: Civil Service People Survey 2009–2012

3.17 In view of the requirement for greater professionalism at senior levels, there needs also to be a focus on specialist training and work has started on this:

- Since February 2012, 85 project leaders across government have started on the Major Projects Leadership Academy development programme. Feedback on the training has been positive. The Academy expects all 340 leaders of projects in the Government Major Projects Portfolio to have commenced training by the end of 2014.
- In addition, since many other professions are not as advanced as the project management specialism, CSL is now introducing a new professional capability framework to help them plan for capability building.

Deployment

3.18 To make the best use of corporate resources, people need to be placed where their skills are most needed and where they can make the greatest impact. In 2011, Civil Service Resourcing established a single online platform to advertise all SCS jobs. Central data on SCS appointments are incomplete, but the figures available suggest the majority of SCS appointments are made through civil service-wide or external competition. 'Managed moves' with limited or no competition may also be authorised and may sometimes offer better value for money. However, there remain barriers to optimal deployment of SCS people, which creates the risk that the SCS as a whole is not making the best use of its current staff, and may be recruiting externally when it already has the skills it needs:³¹

- Data on skills across government are still weak. Civil Service Resourcing is currently working on a database to aid more effective deployment of staff across departments.
- Because of the lack of corporate ownership of the SCS, there is not yet a clear model of how the centre of government and the professions should be involved in deployment decisions.
- There is poor data available to the Cabinet Office on the movement of staff around central government, with data on intra-departmental promotions and transfers particularly weak.
- Salary differentials between departments can make corporate redeployment of staff across Whitehall problematic.

3.19 Government needs officials to be in post for long enough to reach and sustain optimal performance. This also allows them to be held to account when things go wrong and properly rewarded when they succeed. Research from the private sector suggests that chief executives typically need around 30 months to complete their learning curve upon taking up a new role.³²

3.20 The Foreign & Commonwealth Office recently changed its policy so that all senior appointments, both UK and overseas, are now expected to last at least three years, unless a business case for a shorter term is approved. The aim is to provide a better balance between individual needs for broad experience and career progression, and corporate needs for staff continuity and accountability. Cost savings from fewer relocations are also clearly possible, though the Department has not calculated the impact.

3.21 The *Civil Service Reform Plan* made a clear commitment to reducing turnover of senior responsible owners of major projects, and action is being taken by the Major Projects Authority working with departments (paragraph 1.15). The *Capabilities Plan* also aims to strengthen stability, and hence accountability, by creating the role of 'service manager', an individual responsible for leading all aspects of a major service in a large transactional department.

Pay and reward

3.22 Pay needs to be an effective tool for rewarding and motivating staff if it is to support the capability strategy, but the current environment of austerity makes this difficult (paragraphs 1.14 to 1.16). The situation is made more problematic by several long-standing anomalies in SCS pay.

3.23 The first is the existence of an informal two-tier pay system. There can be legitimate reasons for paying external recruits more, for example to bring in particular skills; however, the Select Committee reported that this risked demotivating senior officials.³³ Senior civil servants who joined the SCS from outside the civil service earn on average 24 per cent more than those who were appointed from within the civil service (**Figure 20**), and there is a clear pay difference even within professions (**Figure 21** on page 44).

3.24 Secondly, significant pay discrepancies have arisen between deputy directors and those at Grade 6, immediately below the SCS. Responsibility for Grade 6 pay is devolved to departments and many of these staff receive contractual pay rises. As a result of the SCS pay freeze, the Cabinet Office estimates there are now some 11,000 Grade 6 and 7 staff across government earning more than the minimum SCS pay point.

3.25 In one department, nearly two-thirds of deputy directors earn less than the highest-paid Grade 6.^f At another, this issue is causing pay discrepancies within the SCS itself. Because Grade 6 staff carry forward their salary on promotion to the SCS, people promoted to deputy director in 2012 are earning an average of £5,000 per year more than those who were promoted in 2008 just before the pay freeze. Anecdotal evidence suggests that some Grade 6 staff have not applied for promotion to the SCS because pay prospects are better in their current grade.

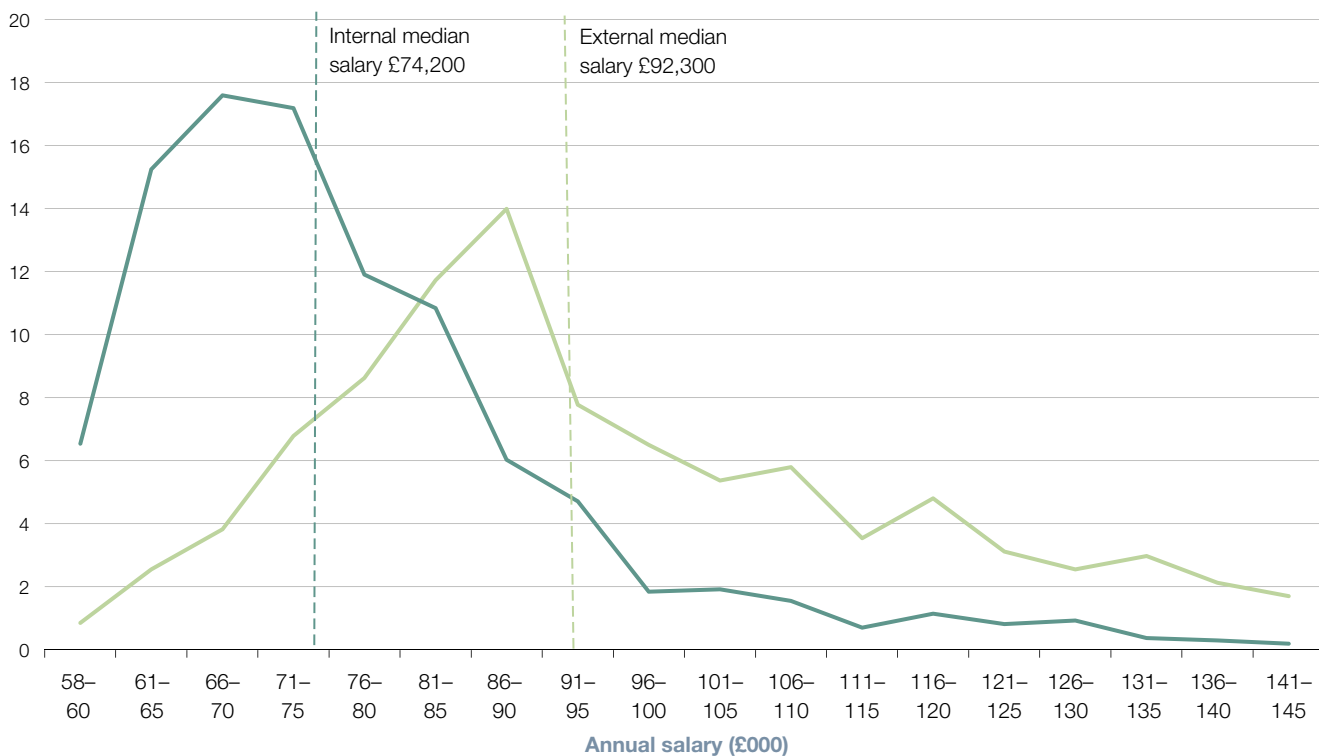
f Information correct at March 2013.

Figure 20

Pay distribution and median pay of internal and external recruits in the Senior Civil Service, April 2012

External recruits on average earn 24 per cent more than internal recruits

Percentage



— Internal recruits
— External recruits

NOTE

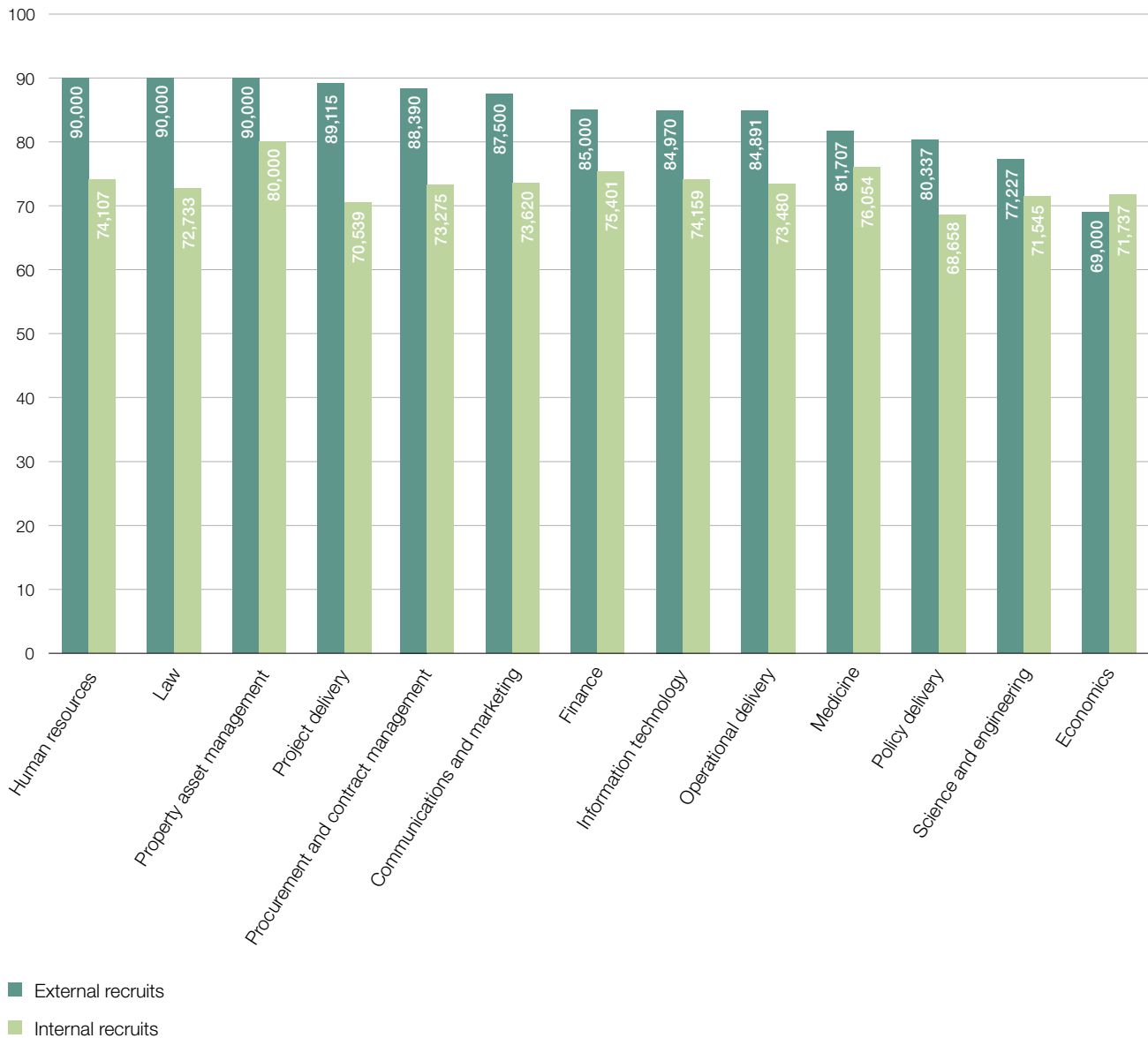
1 This excludes 134 senior civil servants who have non-standard contracts and 32 permanent secretaries.

Source: Cabinet Office, SCS database

Figure 21
Median pay of deputy directors by profession, April 2012

There is a clear pay difference between external and internal recruits even within professions

Median salary (£000)



NOTES

- 1 This table classifies deputy directors by the profession of the post they hold.
- 2 The figures for deputy directors exclude 4 per cent of people at that grade who are on a special, higher pay band, 1A, for historical contractual reasons.
- 3 This excludes 50 deputy directors who have non-standard contracts.
- 4 This figure excludes all professions with fewer than 50 members. It also excludes those senior civil servants not assigned a specific profession in Cabinet Office records. For full list of professions, see Figure 3.

Source: Cabinet Office, SCS database

3.26 A third problem is the significant differences between departments in salaries for the same grade (**Figure 22**), caused by excessive length and overlapping of pay bands (**Figure 23** overleaf). These differences can prove a barrier to redeploying staff across Whitehall to meet corporate needs.

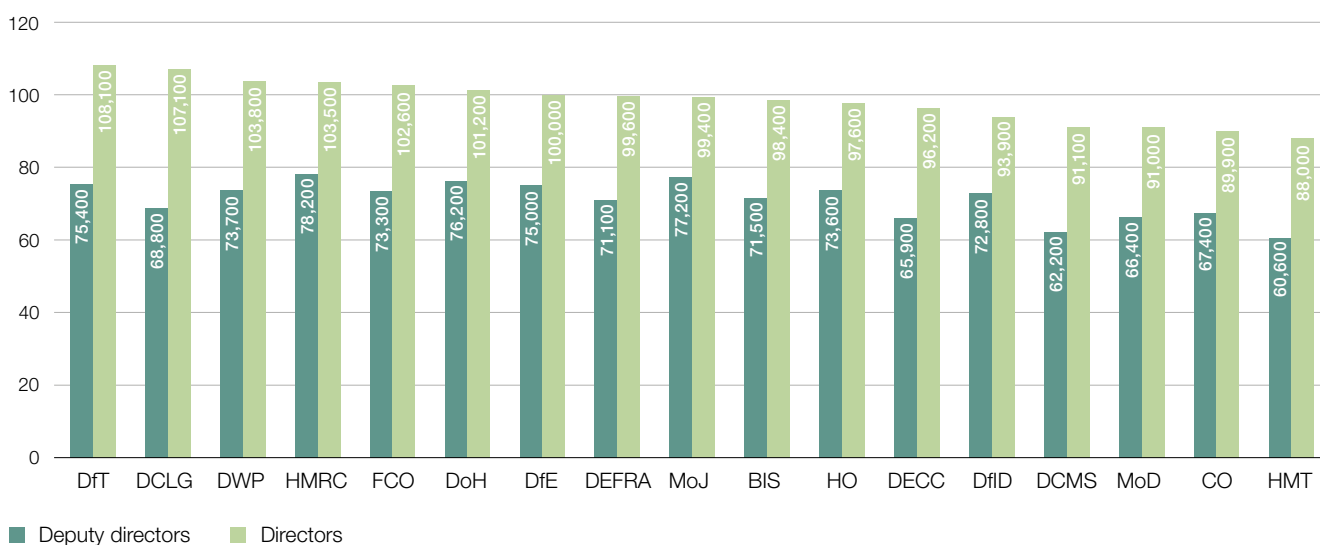
3.27 In March 2013, the Cabinet Office announced measures to increase the flexibility of pay arrangements for departments, and its intention over time to reduce the length of the deputy director pay range (**Figure 24** on page 47). However, it currently lacks the resources to make a significant impact on the overlap with non-SCS grades, nor has it set a target to aim for. Several of the departments we spoke to are planning to use the greater flexibility allowed by the Cabinet Office to target SCS pay rises at their lowest-paid deputy directors. It remains to be seen whether these changes will make a difference fast enough to address the unquantified risk of an exodus of talented and marketable staff in key specialisms, in the event of economic recovery.

Figure 22

Median deputy director and director pay by department, April 2012

There are significant differences between departments in salaries for the same grade

Median salary (£000)



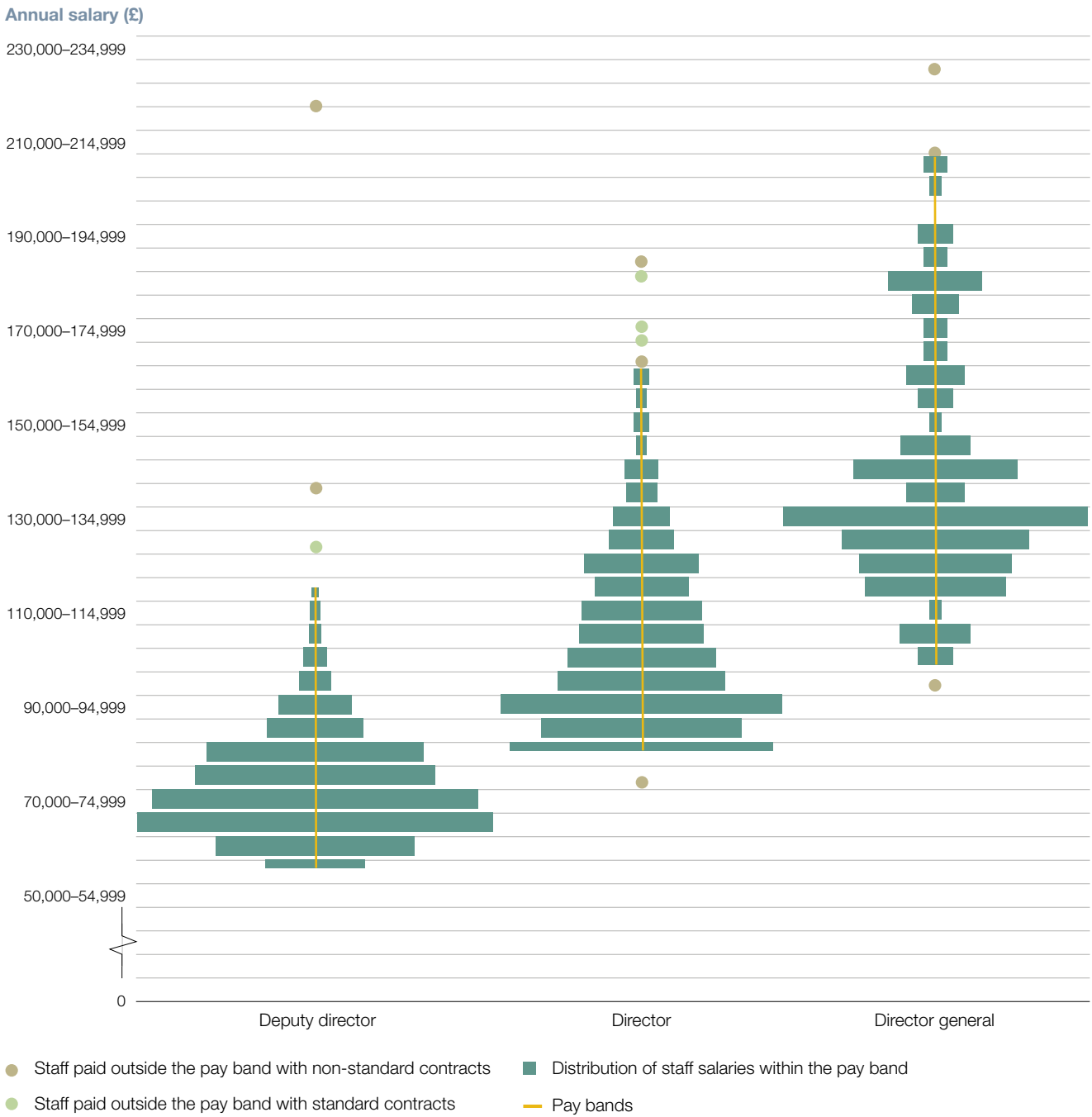
NOTES

- 1 The figures for deputy directors exclude 4 per cent of people at that grade who are on a special, higher pay band 1A for historical contractual reasons.
- 2 This figure only includes the 17 main Whitehall departments. For a list of the bodies excluded, see the notes to Figure 2.
- 3 This excludes 50 deputy directors and 34 directors who have non-standard contracts.
- 4 The median salary for deputy directors across the SCS is £73,821 and for directors, £101,389.
- 5 DfT = Department for Transport, DCLG = Department for Communities and Local Government, DWP = Department for Work & Pensions, HMRC = HM Revenue & Customs, FCO = Foreign & Commonwealth Office, DoH = Department of Health, DfE = Department for Education, DEFRA = Department for Environment, Food & Rural Affairs, MoJ = Ministry of Justice, BIS = Business, Innovation & Skills, HO = Home Office, DECC = Department of Energy & Climate Change, DfID = Department for International Development, DCMS = Department for Culture, Media & Sport, MoD = Ministry of Defence, CO = Cabinet Office, HMT = HM Treasury.

Source: Cabinet Office, SCS database

Figure 23
Senior Civil Service pay bands and pay distribution, April 2012

The SCS pay bands are excessively long and overlap significantly



NOTES

- 1 The pay bands set out are for the years 2010-11 to 2012-13. The pay band for deputy directors was £58,200 – £117,880, directors £82,900 – £162,500, and directors general £101,500 – £208,100.
- 2 The figures for deputy directors exclude 4 per cent of people at that grade who are on a special, higher pay band 1A for historical contractual reasons.

Source: National Audit Office analysis of Cabinet Office SCS database

Figure 24

Changes to Senior Civil Service pay arrangements for 2013-14

The government has frozen SCS pay since 2009. A 1 per cent pay rise has been awarded for 2013-14

The Cabinet Office has also announced changes for 2013-14:

- Departments have flexibility in how to distribute pay rises, provided the average increase is not more than 1 per cent.
- Caps on the bonuses that can be paid to individual officials will be lifted, so that departments can focus payments on their best performers. Any payments over £17,500 will need Treasury approval.
- A Pivotal Role Allowance targeted at business-critical roles throughout the SCS, especially leadership roles on the largest and riskiest projects, will be introduced. Around 100 posts across government will attract the allowance with the aim of reducing turnover in key roles (the allowance will be non-consolidated and will not be transferable on leaving the associated post). Allowances will be decided on a case-by-case basis, subject to approval by the Chief Secretary to the Treasury and Minister for the Cabinet Office. There is no limit on the size of individual allowances, but the total will not exceed 0.5 per cent of the SCS corporate pay bill.
- The minimum pay point for deputy directors will be raised from £58,200 to £60,000, while the maximum remains unchanged. There will be similar changes for higher grades.

Source: Cabinet Office

Appendix One

Our audit approach

1 This study examined how far the pipeline, operating environment and current profile of the SCS enables it to provide effective leadership across central government. We reviewed:

- the capability profile of the SCS, the challenges it faces, and the government's response to these;
- how a strategic approach to meeting the skills requirements of the SCS should be developed; and
- how far arrangements are in place to support the implementation of this strategic approach.

2 We evaluated progress in SCS capability by using a framework developed in our 2011 report *Identifying and meeting central government's skills requirements*. This framework provides a high-level overview of the optimal strategic management of skills issues, and we used this to assess the robustness of arrangements to strengthen SCS capability.

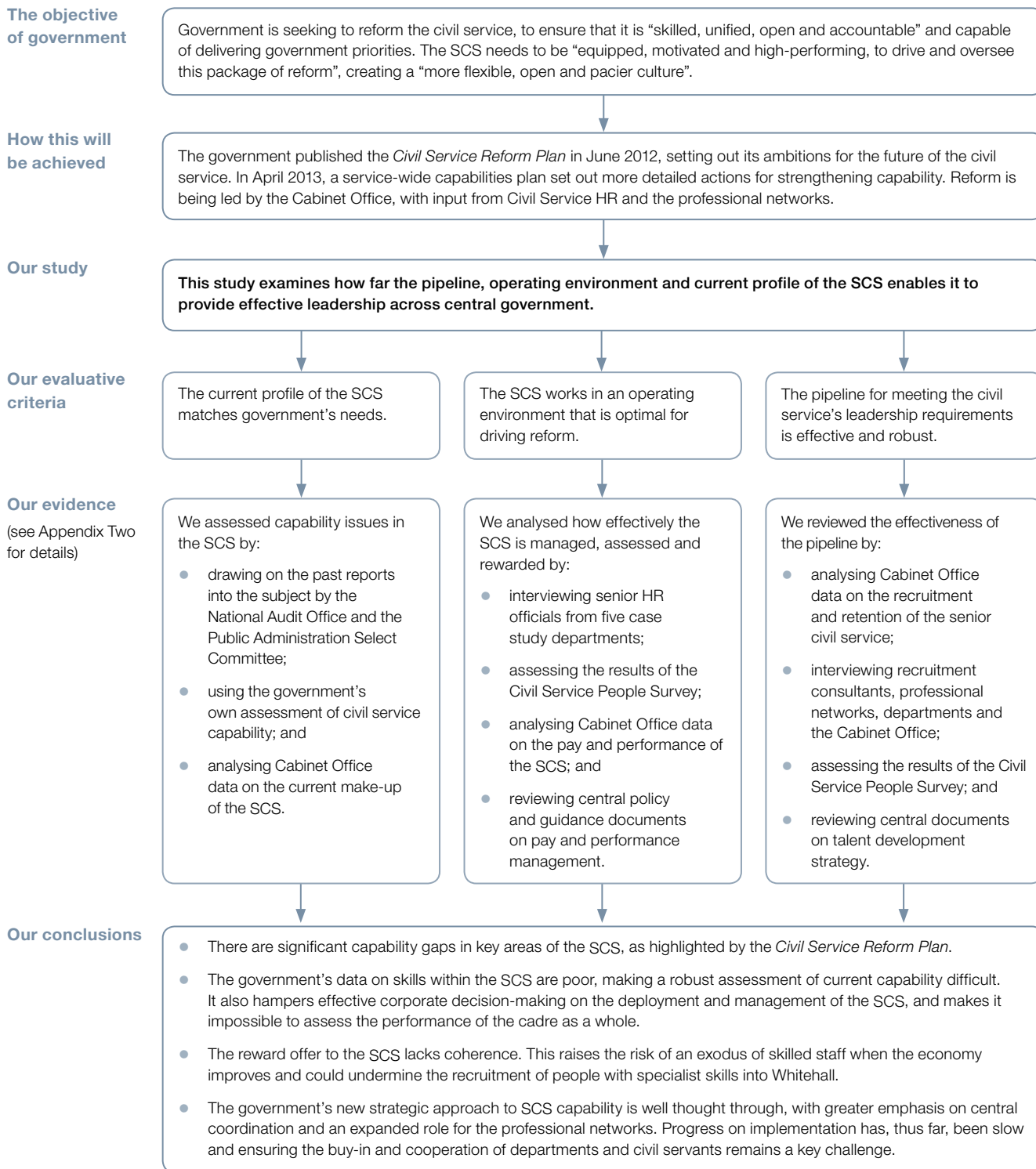
3 We built upon our previous work on civil service capability issues, as well as relevant reports by the Public Accounts Committee and the Public Administration Select Committee.

4 We ensured our work reflected the current landscape of civil service reform. We reviewed the *Civil Service Reform Plan*, which provides the strategic-level objectives for the current reform programme, as well as the *Capabilities Plan* which was published while we were undertaking fieldwork. We also sought to understand developments at a departmental level by keeping abreast of their progress in creating future operating models.

5 Our approach is summarised in **Figure 25**. Our evidence base is described in Appendix Two.

Figure 25

Our audit approach



Appendix Two

Our evidence base

1 Our independent conclusions on the effectiveness of the arrangements to manage SCS capability are based upon our analysis of evidence collected between January and April 2013.

2 We applied an evaluative framework that assessed how far the current profile, operating environment and future pipeline for the SCS met the stated needs of central government. Our audit approach is outlined in Appendix One.

3 **We assessed to what extent the current profile of the SCS matched the needs of central government.**

- We reviewed a range of government reports on SCS capability, including the *Civil Service Reform Plan*,³⁴ *Capabilities Plan*³⁵ and Departmental Capability Reviews,³⁶ to gain an understanding of where the government considers the main skills issues lie.
- We also reviewed recent reports by the NAO and Committee of Public Accounts to identify skills issues in the civil service.
- We conducted semi-structured interviews with senior HR officials and non-executive directors from five departments (the Department for Business, Innovation & Skills, the Department for Communities and Local Government, the Department for Transport, the Department for Work & Pensions, and the Foreign & Commonwealth Office) to investigate what capability issues they faced in managing their cadre of senior civil servants.
- We analysed Cabinet Office data to understand the current make-up of the SCS, with a particular focus on the professions and background of officials. These data are collected by the Office for National Statistics on a biannual basis, with government departments required to submit returns with details of all their senior officials.

- To understand the limitations of the data, we spoke to the Office for National Statistics and the Cabinet Office, and reviewed the procedures for quality checking the data. We also compared the figures to other data sets, such as the Annual Civil Service Employment Survey. We found risks over the completeness of the data and also over the robustness of some of the information collected (especially data on professions). These are discussed more fully in Part Two of our report.

4 We analysed how far the operating environment supported the SCS in achieving its objectives. This included an assessment of: performance management and appraisal; deployment; and pay and reward.

- We analysed Cabinet Office data on the SCS, focusing on the information relating to pay and performance. As outlined above, we considered the data quality risks.
- We reviewed reports issued by the Review Body on Senior Salaries and the Civil Service Commission since 2010 to understand the formal advice being given to government on SCS pay.³⁷ We also reviewed the written evidence submitted to these bodies from:
 - the Cabinet Office;
 - civil service unions; and
 - departments.
- We gathered information on the reasons people left the SCS, by:
 - examining departmental returns to the Cabinet Office which summarised exit interviews conducted with SCS leavers;
 - drawing on interviews with directors general and non-executives that we conducted as part of our earlier work on the *Civil Service Reform Plan*; and
 - interviewing three former senior civil servants at director general level.
- We assessed the responses of the SCS to the Civil Service People Survey from 2009 to 2012³⁸ to understand their views on staff deployment, performance management and pay. The People Survey is conducted annually on behalf of the Cabinet Office.
- Respondents are required to identify themselves as SCS and there is no further control over this, creating the risk that non-senior officials might be incorrectly picked up in our results. We compared the number of SCS responses to the survey with other sources on the number and location of senior officials, and concluded that any such misclassifications were most likely small in number.

- We interviewed HR directors and non-executive directors at five departments (see paragraph 3 above) to get their views on SCS pay, deployment and performance management. We also obtained anonymised departmental data on pay to support the arguments that they made.
- We interviewed the Civil Service Talent team and the Civil Service Workforce Reform team at the Cabinet Office to ensure that we had a complete overview of new developments at the centre of government.
- We reviewed Cabinet Office policy documents to understand what corporate support and guidance was available to departments in managing their senior civil servants. This included a review of memoranda outlining forthcoming changes in senior pay, such as the Pivotal Role Allowance.

5 We assessed the robustness of arrangements for meeting the future requirements of the SCS. This included a review of recruitment, talent development and training.

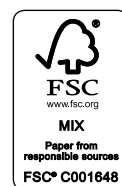
- We conducted semi-structured interviews with senior recruitment consultants used by government at Russell Reynolds Associates and Odgers Berndtson. We focused on current issues in external recruitment to the SCS, especially from the private sector, and their experience of how well such recruits have adapted to their new roles.
- We examined the role of the professional networks:
 - We interviewed officials from the operational delivery, policy and project delivery professions.
 - We reviewed the recent report by the science and engineering profession³⁹ to gain insight into their role in strengthening the SCS pipeline and providing specialist training across government.
 - We interviewed staff at Civil Service Learning, working with the professions on learning and development.
- We analysed Cabinet Office data on the SCS relating to recruitment, particularly changing trends in external recruitment, over the last decade.
- We reviewed the responses of the SCS to the Civil Service People Survey from 2009 to 2012, to understand their views on the training and development. We triangulated this with other sources, such as reports from civil service unions.
- We reviewed official reports published over the last five years that address external recruitment to the SCS, particularly the value-for-money issues it raises and the problems faced by external recruits. This included reports from the Public Administration Select Committee,⁴⁰ the Civil Service Commission⁴¹ and the private sector.⁴²

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