National Audit Office

The performance of the Cabinet Office 2012-13

Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

Contents

Introduction

Aim and scope of this briefing

1   The primary purpose of this report is to provide the Public Administration Select Committee with a summary of the Cabinet Office's (the Department's) activity and performance since September 2012, based primarily on published sources, including the Department's own accounts and the work of the National Audit Office (NAO).

2   Part One of the report focuses on the Department's activity over the past year. Part Two concentrates on NAO analyses of that activity. Part Three takes the form of a case study, looking in greater detail at National Citizen Service, a key project for the Department at the current time.

3   The content of the report has been shared with the Department to ensure that the evidence presented is factually accurate.

Part One

About the Department

The Department's responsibilities

1.1   The Cabinet Office (the Department) sits at the heart of government and, in partnership with HM Treasury, acts as the corporate headquarters for government. The Department provides support to the Prime Minister and Deputy Prime Minister, and ensures the effective running of government. It also takes the lead in several priority policy areas (**Figure 1**).

Figure 1
The Department's responsibilities

Key responsibilities

National security and resilience – to maintain a secure and resilient UK and to help shape a stable world.	Public service reform – to set the framework and principles for public service reform.	Civil service reform – to strengthen the performance of the civil service based on five themes: • Clarifying the future size and shape of the civil service. • Improving policy-making capability. • Implementing policy and sharpening accountability. • Building capability by strengthening skills, deploying talent and improving orginalisation performance across the Civil Service. • Creating a modern employment offer for staff that encourages and rewards a productive, professional and engaged workforce.	Effective and professional support for government business – at all times to provide effective and professional support for government business (the coalition priority 'promoting social mobility' forms part of this responsibility).

Coalition priorities

Promote social mobility – to create 'a Britain where social mobility is unlocked; where everyone, regardless of background, has the chance to rise as high as their talents and ambition allows them'.	Political and constitutional reform – to secure greater accountability and decentralise power throughout the UK's political and constitutional system.	Increase transparency in the public sector – through publishing more, better information more frequently, to ensure that taxpayers can better hold public bodies to account.	Government efficiency and effectiveness – to make government more efficient and effective.	Build the Big Society – to help the Big Society grow.

Source: National Audit Office adapted from Cabinet Office

How the Department is organised

1.2 Ministers lead departments and are responsible for and accountable to Parliament for the actions and policies of their departments. **Figure 2** sets out the Department's ministers in 2012-13 and highlights changes in the year. None of the changes resulted from machinery of government transfers of function. The Department has a relatively high level of ministerial involvement compared to other departments.

Figure 2
The Department's ministers, 2012-13

Minister	Role
The Rt Hon. Nick Clegg MP	Deputy Prime Minister and Lord President of the Council
The Rt Hon. Francis Maude MP	Minister for the Cabinet Office, Paymaster General
The Rt Hon. Oliver Letwin MP	Minister for Government Policy
Nick Hurd MP	Minister for Civil Society and Parliamentary Secretary
The Rt Hon. David Laws MP[1]	Minister of State jointly with the Department for Education
Chloe Smith MP	Minister for Political and Constitutional Reform and Parliamentary Secretary until 6 October 2013
The Rt Hon. Lord Strathclyde	Leader of the House of Lords and Chancellor of the Duchy of Lancaster until 7 January 2013
The Rt Hon. Lord Hill of Oareford CBE	Leader of the House of Lords and Chancellor of the Duchy of Lancaster from 7 January 2013
The Rt Hon. Andrew Lansley CBE MP	Leader of the House of Commons and Lord Privy Seal
The Rt Hon. Kenneth Clarke QC MP	Minister without Portfolio (Minister of State) from 10 September 2012
The Rt Hon. Grant Shapps MP	Minister without Portfolio (Minister of State) and Co-Chairman of the Conservative Party not remunerated from 5 September 2012
The Rt Hon. John Hayes MP	Minister without Portfolio (Minister of State) from 28 March 2013
The Rt Hon. Greg Clark MP	Minister of State (Cities and Constitution) from 7 October 2013

Note
1   The Rt Hon. David Laws MP is remunerated by the Department for Education.

Source: Cabinet Office

1.3 The departmental board is made up of three ministers, four non-executive members, and six senior officials, including the Cabinet Secretary and Permanent Secretary. The board is responsible for: planning and performance, strategy and learning, resources and change, capability, and risk.

1.4 The Department published the objectives of its Permanent Secretary, as well as the Cabinet Secretary and Head of the Civil Service for the first time in December 2012 (**Figure 3**). A high-level overview of the groups reporting to these senior staff at October 2013 is at **Figure 4** overleaf.

Figure 3
The Department's most senior civil servants and their objectives

Individual	Position	Summary of objectives[1]
Sir Bob Kerslake[2]	Head of the Civil Service	To provide professional and corporate leadership to the civil service and enhance its immediate and longer-term capability.
		To report directly to the Prime Minister and work closely with the Cabinet Secretary and the Minister for the Cabinet Office.
		To provide professional, visible and public leadership to all levels of the civil service.
		To lead the work to improve the civil service's performance and capability to deliver the UK, Scottish and Welsh governments' objectives; and promote, embed and safeguard the civil service's core values which are set out in statute.
Jeremy Heywood	Cabinet Secretary	To support proper and effective government decision making.
		To support effective implementation of the government's priorities.
		With the Head of the civil service, to maintain an impartial UK Civil Service that commands the confidence of ministers.
Richard Heaton[3,4]	Permanent Secretary	As head of the Department – responsible for the leadership and governance of the Cabinet Office.
		As the Cabinet Office's Accounting Officer[3] – responsible for the financial propriety of the department.

Notes

1 A detailed description of the roles and objectives is available at the source link below.

2 Sir Bob Kerslake is also Permanent Secretary for the Department for Communities and Local Government.

3 Richard Heaton is also First Parliamentary Counsel and oversees the Government in Parliament Group.

4 Richard Heaton is also accounting officer for the Superannuation Account. Sir Kim Darroch acts as principal accounting officer for the Security and Intelligence Agencies Account.

Source: Cabinet Office, available at: www.gov.uk/government/publications/permanent-secretaries-objectives-published-for-the-first-time

Figure 4
Structure of the Department including its reporting lines at October 2013

Head of Civil Service – Sir Bob Kerslake

Cabinet Secretary – Jeremy Heywood

Prime Minister's Office
Policy Unit
PM Spokesman
Appointments

Economic and Domestic Affairs Secretariat
Olympic and Paralympic Legacy Unit
Eurozone
Implementation Group
Implementation Unit
Open Public Services
Red Tape Challenge

National Security Secretariat
Intelligence, Security and Resilience
Civil Contingencies
Office of Cyber Security and Information Assurance
Intelligence and Security
Foreign and Defence Policy
Foreign Policy
Defence Team
Iran Cell

Deputy Prime Minister's Office
PPS
Constitution Group
Research and Analysis Unit
Cities Group

Privy Council
Honours and Appointments

Private Offices Group
Propriety and Ethics
Centre for Public Appointments
Ministerial Private Offices
Parliamentary and Correspondence Team

European and Global Issues Secretariat
EU and International
Post-2015 Development Framework
G8 Presidency

Government in Parliament
Office of the Parliamentary Counsel
Business Managers

Permanent Secretary – Richard Heaton

Efficiency and Reform Group, led by Chief Operating Officer for UK Government, Stephen Kelly (see Figure 5 for a detailed breakdown of the structure)
Corporate cluster
Major Projects cluster
Transformation cluster
Efficiency cluster

Civil Service Reform
Civil Service Reform
Civil Service HR

Government Innovation
Civil Society, Young People and Partnerships
Transparency, Analytics, Open Policy Making and Data Sharing
Behavioural Insights

Cabinet Office Corporate Services
HR and Flexible Resourcing
Finance, Estates, ICT and Knowledge Information Management
Government Communications Internal Communications
Cabinet Office Legal
Cabinet Office Strategy
Technology

Source: Cabinet Office

1.5 Following a restructuring of the Department's work the Efficiency and Reform Group, Government Innovation Group and Civil Service Reform were split in late 2012. The Office for Civil Society, Implementation Unit and responsibility for the transparency agenda have all transferred from the Efficiency and Reform Group to the Government Innovation Group. The Efficiency and Reform Group has created a more structured internal organisation, replacing over 23 reporting lines with five cluster leads over four clusters and three delivery arms reporting to the Chief Operating Officer for UK government (**Figure 5**).

Figure 5
Structure of the Efficiency and Reform Group and senior staff (from October 2013)

|		
Stephen Kelly Chief Operating Officer for UK government	**Dr Norma Wood** Major Projects Cluster Lead	Major Projects Authority Construction
	Mike Bracken **Ed Welsh** Transformation Cluster Leads	Government Digital Service Workforce of the Future (Government Property Unit) Shared services Commercial models Public bodies reform
	Bill Crothers Efficiency Cluster Lead and Chief Procurement Officer	Cross-cluster support and commercial profession Commercial policy and delivery Commercial relationships Government procurement Service Commercial reform
	Katharine Davidson Corporate Cluster Lead	Strategy, engagement, controls and performance/planning Fraud error and debt and grants Management information

Source: Cabinet Office

Where the Department spends its money

1.6 The Department spent £510.5 million in 2012-13, making it one of the smallest spending departments. The largest component of the Department's resource expenditure in 2012-13 was on Government Innovation which cost £183.6 million (**Figure 6**).

Figure 6
Where the Department spent its money in 2012-13

Government Innovation Group £183.6m — Income £4.1m

Efficiency and Reform Group £114.1m — Income £35.7m

Other £10.3m

Civil Service Commission £1.6m — Income £0.2m

Support to Cabinet, Prime Minister and Deputy Prime Minister £85.8m — Income £17m

Cabinet Office Total spend: £510.5m

Independent Business Units £4m — Income £2.1m

National Security £59.8m — Income £7.5m

Income £1.2m — Political and Constitutional Reform £13m

Civil Service Reform £38.3m — Income £40.2m

Notes

1   The expenditure figures refer to gross resource expenditure within the departmental expenditure limit (DEL).

2   Organisational changes in Efficiency and Reform mean that in 2012-13 its budget was significantly reduced from 2011-12.

3   The net expenditure on the Efficiency and Reform Group in 2012-13 was £78.4 million.

Source: Cabinet Office, *Annual report and Accounts 2012-13,* HC 15, July 2013. Additional data on the Efficiency and Reform Group, Government Innovation Group and Civil Service Reform provided by the Cabinet Office

1.7 The Department is also responsible for expenditure accounted for separately from its departmental accounts. Net expenditure on the Principal Civil Service Pension Scheme of £7.8 billion for 2012-13 is recorded in the Civil Superannuation Accounts, accounted for by the Cabinet Office Permanent Secretary.[1] The National Security Adviser is the Accounting Officer for the Security and Intelligence Agencies. The accounts of these agencies are consolidated in the Single Intelligence Account, which showed expenditure of £2.2 billion in 2012-13.[2]

1.8 In 2012-13, over two-thirds of the Department's staff worked on either efficiency and reform related activity (see note 1 of Figure 7) or providing support to the Cabinet, the Prime Minister and the Deputy Prime Minister. Overall staffing numbers fell 20 per cent in the year, primarily through exit packages agreed in 2011-12 (**Figure 7**).

1.9 The Department has five major projects,[3] of which the three largest are National Citizen Service, National Cyber Security Programme and Electoral Registration Transformation Programme.[4] Details of these projects and their risk ratings as assessed by the Major Projects Authority are given in **Figure 8** overleaf.

Figure 7

The Department's average staff numbers

Operating segment	Total staff 2012-13	Total staff 2011-12
Efficiency and Reform[1]	760	1,463
Support to Cabinet, Prime Minister and Deputy Prime Minister	641	544
National Security	242	249
Corporate Services Group	184	168
Political and constitutional reform	115	98
Staff engaged on capital projects	72	–
Other	23	18
Total	**2,037**	**2,540**

Note

1 In the Annual report & accounts, resources are allocated to main segments of the department's activities; the allocation to the segment 'Efficiency and Reform' included a range of functions outside of those that fall within the current internal definition of the "Efficiency and Reform Group". For example, in 2011-12, Efficiency and Reform included a significant number of staff engaged with the Central Office of Information and National School of Government, both of which have now closed. For 2012-13, Efficiency and Reform included, for example, staff engaged on Civil Service Reform and Government Innovation.

Source: Cabinet Office, *Annual report and Accounts 2012-13*, HC 15, July 2013

---

1 Cabinet Office, *Civil Superannuation Accounts 2012-13*, HC 48, December 2013. Available at: www.official-documents. gov.uk/document/hc1314/hc00/0048/0048.pdf

2 *Security and Intelligence Agencies Financial Statement 2012-13*, HC27, July 2013. Available at: www.official-documents. gov.uk/document/hc1314/hc00/0027/0027.pdf

3 A major project is a central government project or programme that requires HM Treasury approval.

4 Cabinet Office, Business Plan 2012–2015. Available at: http://transparency.number10.gov.uk/assets/client/pdf/co-expenditure.pdf

Figure 8

The Department's largest three major projects and their risk ratings

Project/Programme	Description	Total budgeted whole life cost[1] (£m)	Risk rating[2]
National Cyber Security Programme	This programme is managed by the Office of Cyber Security and Information Assurance in the Cabinet Office. We discuss the National Cyber Security Programme in Part Two of this report.	650[3]	●
National Citizen Service	This programme, which is run by the Office for Civil Society, aims to provide young people with skills for citizenship and community engagement. We discuss National Citizen Service in Part Three of this report.	324 (to 2015)	●
Electoral Registration Transformation Programme	This programme intends to change electoral registration to require individual voters rather than households to register. Its forecast expenditure for 2013-14 is £26 million and the majority of its whole life cost of £108 million will fall in 2014-15 when individual electoral applications will be processed. It is run by a special project team.	218[4]	●

● Red   Successful delivery of the project appears to be unachievable. There are major issues on project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.

● Amber   Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable and at this stage if addressed promptly should not present a cost/schedule overrun.

● Green   Successful delivery of the project to time, cost and quality appears highly likely and there are no major outstanding issues at this stage.

Notes

1   Includes non-government costs.

2   The RAG ratings shown reflect the position at Quarter 2 2012 to 2013, as published in the *Major Projects Authority Annual Report*.

3   Includes costs to other departments. The Cabinet Office contribution to this programme is estimated at £47.5 million (The Cabinet Office Business Plan 2013).

4   The Cabinet Office's contribution to this programme is estimated at £108 million (The Cabinet Office Business Plan 2013).

Source: Cabinet Office, *Major Projects Authority Annual report*, May 2013, available at: http://engage.cabinetoffice.gov.uk/major-projects-authority/wp-content/uploads/sites/2/2013/07/MPA-Annual-Report-final-pdf.pdf

Recent and planned changes to the Department's spending

1.10 The 2010 Spending Review required the Department to make a real reduction in its non-ring-fenced resource budget of 35 per cent, after excluding all changes in its departmental responsibilities. This included a reduction of 25 per cent across the spending review period in the costs of providing support to the Prime Minister. The Department's resource settlement included one-off funding in 2014-15 for Individual Electoral Registration of £85 million, and £120 million relating to the costs of the 2014 election to the European Parliament.[5]

1.11 The framework for public expenditure is spit into departmental expenditure limits (DEL), which are planned and controlled on a three-year basis in spending reviews, and annually managed expenditure (AME). AME is expenditure which is not subject to firm, multi-year limits in the same way as DEL. The 2010 Cabinet Office settlement showed a gradual increase in AME from £1.4 billion in 2010-11 to £2 billion in 2014-15 (**Figure 9**). This largely reflects growth in the civil service pension scheme.

Figure 9
The Department's 2010 Spending Review settlement

£ billion

	2010-11	2011-12	2012-13	2013-14	2014-15
Departmental expenditure limit	0.4	0.5	0.4	0.3	0.5
Annually managed expenditure	1.4	1.4	1.6	1.8	2.0

■ Departmental expenditure limit
■ Annually managed expenditure
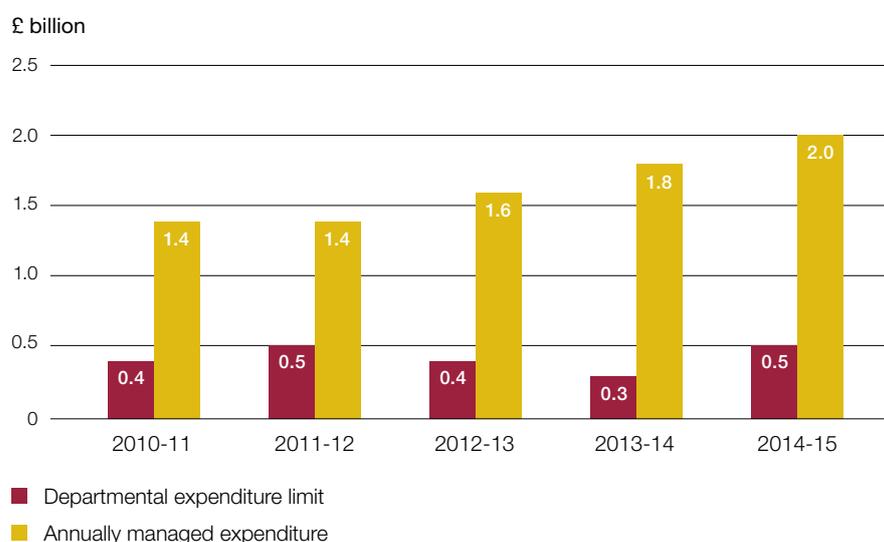
Note
1   In this table, and in line with other departments, the Resource element of the DEL excludes depreciation and AME excludes non-cash items.

Source: HM Treasury *Spending Review 2010*, Cm 7942, October 2010

5   HM Treasury, *Spending Review 2010*, Cm 7942, October 2010, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/203826/Spending_review_2010.pdf

1.12 Subsequently, the Department's 2013 Spending Review settlement included:

- continued funding of £56 million to support government programmes which encourage social action and help Voluntary, Community and Social Enterprise organisations play a bigger role in communities and public services;

- funding to support the continued growth of National Citizen Service; and

- £148 million to fund the 2015 General Election, the Parliamentary Boundary Review and continued support for Individual Electoral Registration arrangements.

1.13 The Department continued to experience changes to its responsibilities during 2012 and in 2013. This followed a raft of changes in 2011-12 including transfers into the Department from other departments and the launch of the Government Digital Service. These changes make it harder to identify trends in the Department's spending over time than for many other departments. They have also led to an increased complexity of delivery arrangements and a greater need for clear lines of accountability. The organisational and machinery of government changes that took place in 2013 include the following:

- The Royal Mail Statutory Pension Scheme and its membership moved from the Department for Business, Innovation & Skills from 1 April 2013. This followed a review of where the scheme would best sit in government. It will now be run alongside the principal civil service pension scheme. The Department has a budget of £8.5 million in resource administration expenditure for assuming responsibility for scheme management and administration.

- Cross-cutting responsibilities for youth policy transferred from the Department for Education on 3 July 2013.[6] The budget, expected to be around £4 million, will be confirmed in the January 2014 Supplementary Estimates.

- Accountability for IT, employee and financial transactional shared services, formerly provided by the Department for Work & Pensions to other public sector bodies, transferred to the Department on 1 April 2013. This resulted in an increase in resource administration income and expenditure of £47.3 million.[7]

---

6   Press Release, Cabinet Office, 3 July 2013.
7   Cabinet Office, *Annual Report and Accounts*, 2012-13.

Recent and planned progress and performance

1.14 This section summarises major developments and plans the Department has reported under the key responsibilities outlined in Figure 1.

Government efficiency and effectiveness

Efficiency savings announced

1.15 The government, in June 2013, announced savings of £10 billion relating to 2012-13 compared to 2009-10 achieved through its Efficiency and Reform Group providing support to departments.[8,9] We have not audited this figure, but have reported on the strength of processes in place to calculate these savings[10] and found these robust. We discuss this in Part Two of this report. The Department also announced unaudited half-year savings of £5.4 billion for 2013-14 in November 2013.[11]

Major Projects Authority

1.16 The Major Projects Authority was created as a joint venture between The Department and HM Treasury in April 2011, with the aim of strengthening major project assurance across central government. The Authority published its first annual report in May 2013, outlining the progress it has made and providing detailed information on the Government Major Project Portfolio. Much of this project data had not been publicly available and the annual report therefore marked a significant step forward in the government's transparency agenda.

Shared Services Centre

1.17 The Department set out its strategic plan for Next Generation Shared Services in December 2012.[12] The plan presents how central government intends to implement, operate and manage a more effective programme of back-office transactional shared services across a number of departments and arm's-length bodies. On 1 November 2013, the Department announced that it had appointed Steria as its private sector joint venture partner in a deal worth up to £1 billion. The Department estimates this strategy could enable the delivery of between £400 million and £600 million a year in savings. We plan to assess progress with the plan in a follow-up report during 2013-14.

8   Cabinet Office, *Efficiency and Reform 2012-13 summary report*, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/204603/FINAL_12_13_ERG_annual_report.pdf
9   Technical note on savings delivered in 2012-13 in government departments, Cabinet Office. Available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/210930/Technical_note_V2.pdf
10 Comptroller and Auditor General, *The 2012-13 savings reported by the Efficiency and Reform Group,* Session 2013-14, HC 126, July 2013.
11 Press Release, Cabinet Office, 7 November 2013.
12 HM Government, *Next Generation Shared Services, The Strategic Plan,* December 2012, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/83717/19284_Next_Generation_3rd_Online.pdf

National Fraud Initiative

1.18 The National Fraud Initiative is due to transfer from the Audit Commission to the Department from April 2015 with joint operation from December 2013, following an announcement in July 2013. The Initiative supports fraud prevention and detection by matching data from 1,300 public sector organisations covering the audit groups across the UK and 77 private sector bodies.

1.19 The National Fraud Initiative is part of a range of pan-government anti-fraud and error activities led by the Fraud, Error, Debt and Grants team within the Department, reporting to the ministerial Fraud, Error and Debt Task Force.

Transparency

Open Data

1.20 The Department leads the government's programme to release public data to help people understand how government works and how policies are made. These are stored on data.gov.uk.

Savings announced from reduced regulation

1.21 The Red Tape Challenge is a cross-government programme to reduce unnecessary and overcomplicated regulation to save taxpayers money and support economic growth. The Department reported that by April 2013 red tape reforms had saved businesses over £212 million per year.[13] We have not audited these reported savings.

Political and constitutional reform

Referendum for Scottish independence

1.22 The Cabinet Office Constitution Group supported the Prime Minister and the Secretary of State for Scotland in signing a referendum agreement in October 2012 on independence for Scotland.[14] The Group also worked with HM Treasury in launching the 'Scotland analysis' programme to inform that debate. This programme examines Scotland's place in the UK and how it contributes to and benefits from being part of the UK.

Electoral Registration Transformation Programme

1.23 The Electoral Registration Transformation Programme aims to make historic changes to rebuild trust in the electoral system and make voter registration more convenient and secure, by implementing individual voter registration. It is a very significant programme for the Department to deliver (Figure 9). A key milestone was passed with the Electoral Registration and Administration Act, which received Royal Assent in February 2013.[15]

13   Press Release, Cabinet Office, 1 July 2013.
14   Press Release, Cabinet Office, 10 September 2013.
15   Press Release, Cabinet Office, 1 February 2013.

Build the Big Society

1.24 The Department commissioned the Community Life survey, which published its initial results in February 2013. This survey is designed to track trends and developments around encouraging social action and empowering communities. The results showed an increase in the number of people who had volunteered at least once in the last 12 months to 71 per cent (65 per cent in 2010-11).

Civil service reform

1.25 The 2012 Civil Service Reform Plan addresses fundamental issues across government. 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. In July 2013 the Department published a 'one year on' progress report on the Reform Plan's 18 actions. Four actions were rated 'red' on the basis that not enough progress had been made (**Figure 10**). The four were:

- executing plans to share expert services across government;

- establishing a Capabilities Plan to fill government's skills gaps;

- increasing secondments and interchange with the private sector; and

- creating a modern workplace.

Figure 10

Civil Service Reform Plan – One year on report card ratings

Number of actions	RAG rating and definition
Seven	🟢 Green
	Reform Plan commitment delivered and/or on track to implement.
Eight	🟡 Amber
	Delivery of Reform Plan commitment moderately delayed and/or implementation moderately off track.
Four	🔴 Red
	Delivery of Reform Plan commitment significantly delayed and/or implementation significantly off track.

Source: Cabinet Office, *Civil Service Reform Plan: One year on,* July 2013. Available at: www.gov.uk/government/publications/civil-service-reform-plan-one-year-on--2

Policy development

1.26 In 2012 the Department established a Contestable Policy Fund offering a total of £500,000 a year. This is a centrally-resourced fund which allows ministers to bid directly for match-funding to commission specific pieces of policy development from external organisations. The Department has approved a number of projects for match-funding. The first example was a report on accountability arrangements in overseas civil services published by the Institute for Public Policy Research.[16]

Capabilities Plan

1.27 The Department published the Capabilities Plan in April 2013 as part of Civil Service Reform.[17] It sets out a new strategy for improving skills and performance across the civil service, focusing on four priority areas: leading and managing change; commercial skills and behaviours; programme and project management; and digital skills.

The Department's digital strategy

1.28 The Department set out a commitment, in June 2012, to make the Civil Service 'digital by default', underlining the central part digital services now play in government business.[18] In November 2012 it published a Government Digital Strategy.[19] We reported on this strategy in March 2013.

1.29 The Department published its own departmental digital strategy in December 2012. This strategy highlights the Department's unique role in the government's plans to move to services that are 'digital by default', and outlines its responsibilities:[20]

- as a provider of key government transactional and publishing services to citizens, to businesses and to other parts of government;

- as an enabler, supporting and coordinating digital improvement initiatives across all government departments;

- as the lead on civil service reform and cross-government collaborative working; and

- as the lead on efficiency, reform and growth, where digital transformation plays a critical role in both saving money and transforming the way government operates.

16   Institute for Public Policy Research (IPPR), *Accountability and responsiveness in the Senior Civil Service: lessons from overseas,* June 2013, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/207237/ Accountability_and_Responsiveness_in_the_SCS.pdf

17   Cabinet Office, *Meeting the Challenge of Change: a capabilities plan for the Civil Service,* April 2013, available at: engage.cabinetoffice.gov.uk/capabilities-plan/wp-content/uploads/sites/3/2013/04/Capabilities-Plan.pdf

18   Cabinet Office, *The Civil Service Reform Plan,* June 2012.

19   Comptroller and Auditor General, *Digital Britain 2: Putting users at the heart of the government's digital services*, Session 2012-13, HC 1048, March 2013.

20   Cabinet Office, *Cabinet Office Digital Strategy,* December 2012, available at: www.gov.uk/government/uploads/system/ uploads/attachment_data/file/80173/Cabinet-Office-Digital-Strategy-20-12-12.pdf

1.30 The Government Digital Strategy commits to making 25 significant 'exemplar' services simpler, clearer and faster to use. The Cabinet Office's Electoral Registration Programme is one of the 'exemplar' services.

Independent assessments of the Department's performance

1.31 In this section, we look at some notable independent reports on the Department published in the last year.

Major Projects – 'Getting a grip' report

1.32 The government owns and runs 185 major projects with estimated lifetime costs of £414 billion.[21] The Public Accounts Committee reported in September 2012 that management of these projects had been poor and only one third were delivered to time and budget.

1.33 In a March 2013 report, the government's Lead Non-Executive, Lord Browne, identified two basic factors he believes contribute to poor performance in government projects.[22] The first is that the lowest standards set at the start of a project are the highest standards that can be expected for the rest of the project. The second is that poor projects are not intervened in or stopped soon enough. Lord Browne recommended strengthening the remit of the Department's Major Projects Authority, working alongside Infrastructure UK and HM Treasury.

Improving management information: the Read report

1.34 As part of the Civil Service Reform Plan the Cabinet Office and HM Treasury commissioned Dr Martin Read to produce an independent report, *Practical steps to improve management information in government.*[23] The report was delivered to ministers in July 2012 and published in June 2013. It set out a series of recommendations on how government can improve efficiency and deliver savings. Improving management information was identified as one of the three priority areas for non-executive focus in the Government Lead Non-Executive annual reports for 2011-12[24] and 2012-13.[25]

---

21 The Major Projects Authority's most recent Annual Report publication (May 2013) states that it has 191 projects on the Governments Major Projects Portfolio representing £353 billion in whole life costs.
22 Lord Browne of Madingley, *Getting a Grip: How to improve major project execution and control in government*, March 2013, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/205209/Getting_a_grip_Lord_Browne_major_project_review_Mar-2013.pdf
23 Dr Martin Read CBE, *Practical steps to improve management information in government*, July 2012, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/206869/Read_Review_2013-06-12.pdf
24 Lord Browne of Madingley, *Government Lead Non-Executive Annual Report*, Financial Year 2011/12, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/61160/Government-Lead-Non-Executive-Annual-Report-2011-12.pdf
25 Lord Browne of Madingley, *Government Lead Non-Executive Annual Report*, Financial Year 2012/13, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/205211/Government_Lead_Non-Executive_Annual_Report_2012-13_FINAL.pdf

1.35 Dr Read's report recognised a need for accurate, timely and comparable management information on how money is spent to manage expenditure effectively. In response, the Department has overhauled the format and categories of quarterly data reporting; begun to develop a tool, allowing cross-departmental comparison of performance information; developed the Government Interrogating Spending Tool, providing the public with a platform by which to investigate spending across government; and made senior financial officers responsible for management information in their departments. It is also working to streamline and formalise the collection of management information from departments.

Government Lead Non-Executive Annual Report 2012-13

1.36 The Corporate Governance Code for central government departments published in July 2011 states that the Government Lead Non-Executive will publish a report on progress every year to the Public Administration Select Committee.[26] Lord Browne published his second annual report in June 2013. This highlights that ministers and senior civil servants increasingly recognise the value of the independent and impartial advice that non-executives offer. The report also points out that the quality of departmental board meetings has improved. However, it stresses a need for further work in building commercial and procurement skills and improving the quality and consistency of management information.

Staff attitudes

1.37 The government has commissioned its Civil Service People Survey annually for the past four years. The most recent survey ran in October 2012, with results published in February 2013. Continuing our practice in past briefings, we summarise here the views of the Department's staff, and compare them to benchmarks for the civil service as a whole. Detailed results for all departments are reproduced at Appendix Two.

1.38 The survey includes a range of questions across nine themes which seek to measure the experiences of civil servants at work. **Figure 11** lists the results for the Department, covering the themes of leadership and managing change, understanding of organisational objectives and purpose, resources and workload, and pay and benefits. Across these themes the Department has improved its score since 2011 for some questions and worsened in others. Overall, the Department remains below the civil service average.

1.39 As part of the annual survey, each department receives a staff 'engagement index', assessing the extent to which staff speak positively of the organisation, are emotionally attached and committed to it, and are motivated to do the best for the organisation. In 2012, the Department's engagement index increased one point to 60 per cent, two points above the civil service average.

---

26 Cabinet Office, Guidance, *Corporate governance code for central government departments*, July 2011, available at: www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments

Figure 11
2012 Civil Service People Survey: Cabinet Office

	Department score (% positive)	Difference from 2011 survey	Difference from civil service average
Theme scores			
Engagement index			
Overall engagement score	60	1	-2
Leadership and managing change			
I feel that the Department as a whole is managed well	38	0	-5
When changes are made in the Department they are usually for the better	22	0	-3
The Department keeps me informed about matters that affect me	57	2	1
I have the opportunity to contribute my views before decisions are made that affect me	34	-3	-2
I think it is safe to challenge the way things are done in the Department	41	-1	1
Organisational objectives and purpose			
I have a clear understanding of the Department's purpose	73	1	-11
I have a clear understanding of the Department's objectives	63	-2	-15
I understand how my work contributes to the Department's objectives	73	3	-8
Resources and workload			
In my job I am clear what is expected of me	80	2	-4
I have an acceptable workload	64	3	4
I achieve a good balance between my work life and my private life	65	3	-3
Pay and benefits			
I feel my pay adequately reflects my performance	30	-2	-1

Notes
1   Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
2   The 2012 benchmark is the median per cent positive across all organisations that participated in the 2012 Civil Service People Survey.
3   These are the results from the core Cabinet Office and don't include staff from the Government Procurement Service (a separate survey was completed for this organisation). These staff transferred over in 2010-11.

Source: Cabinet Office, *Civil Service People Survey 2012 Summary of findings,* February 2013, available at: www.civilservice.gov.uk/wp-content/uploads/2013/01/csps2012_summary-of-findings_final.pdf

Part Two

Recent NAO work on the Department

Our audit of the Department's accounts

2.1   The NAO's financial audits of government departments and associated bodies are primarily conducted to allow the Comptroller and Auditor General (C&AG) to form an opinion of the truth and fairness of the public accounts. An additional key objective for the C&AG's audit is forming an opinion on regularity. This identifies whether or not funding has been applied to the purposes intended by Parliament. In the course of these audits, the NAO learns a great deal about government bodies' financial management and sometimes this leads to further targeted pieces of work which examine particular matters.

2.2   We work with departments and their sponsored bodies to improve the quality and transparency of published Governance Statements. We aim to ensure that the processes by which Statements are produced are robust and that the Statements comply with HM Treasury guidance.

The Department's accounts

2.3   The C&AG issued an unqualified and unmodified opinion on Cabinet Office's (the Department's) 2012-13 accounts.

2.4   The Department's statement of comprehensive net expenditure includes losses incurred from payments on early termination of two leases in central London totalling £13.65 million. These payments were made on the basis of the Department's own value-for-money cases demonstrating future cost savings.[27]

---

27   Cabinet Office, *Annual Report and Accounts, 2012-13,* HC 15, July 2013.

Civil Superannuation accounts

2.5 The C&AG, for the year ended 31 March 2013,[28] gave clear opinions on the regularity of benefit payments and the truth and fairness of the pension liability. Whilst some payments could not be supported by primary records, the C&AG did not consider the amount to be material to the account as a whole. This followed qualifications in both 2010-11 and 2011-12.

2.6 The C&AG continued that while his clear opinion reflected that the level of irregularity is not material during 2012-13, there were still underlying problems regarding the management and retention of Scheme data.

Single intelligence agencies' accounts

2.7 The C&AG issued an unqualified and unmodified opinion on the 2012-13 accounts.

2.8 The 2012-13 Governance Statement points out that last year there was no oversight mechanism for monitoring financial risks at a cross-agency level. This year a single intelligence agencies' financial risk register has been introduced and the most significant risks are discussed at both the Financial Steering Group and Finance Director meetings. Three key financial risks currently facing the agencies are:

- continuing to deliver to a high quality within budgetary constraints and against a back drop of emerging technologies;

- the ability to recruit and retain people with the right skills; and

- the constraints on funding beyond the current spending review and how this links to the next strategic defence security review.

---

28 Cabinet Office, *Civil Superannuation Accounts 2012-13*, HC 48, December 2013, available at: www.official-documents. gov.uk/document/hc1314/hc00/0048/0048.pdf

Our audits of the Department's effectiveness and value for money, including its cross-government role

2.9 The NAO's work to test the effectiveness and value for money of government spending in 2012-13 included a number of projects which focused on the Department. The Department's role at the centre of government means that many of these projects look at cross-government topics. The text used in the following section describes the position at the time we published our reports except where indicated.

Spinning-out MyCSP as a mutual joint venture (September 2013)

2.10 In April 2011, the Department decided to transform MyCSP, which administers pensions for 1.5 million civil service employees, from a government activity into the government's first mutual joint venture (**Figure 12**). It took the decision to 'spin out' MyCSP because it wanted the investment in infrastructure and expertise that a private sector partner could bring.

Figure 12
MyCSP corporate structure

MyCSP Ltd board

Chair

CEO MyCSP Ltd

CFO MyCSP Ltd

Government non-executive director (NED)

Paymaster NED

MyCSP Ltd employees NED

(Support: mutual guardian/ company secretary)

Government (The Cabinet Office) 35%

MyCSP Ltd

Private sector partner (Equiniti Paymaster) 40%

Employees (Employee Benefit Trust) 25%

Appoint two directors

Acts as trustee

Employee Partnership Council (10)
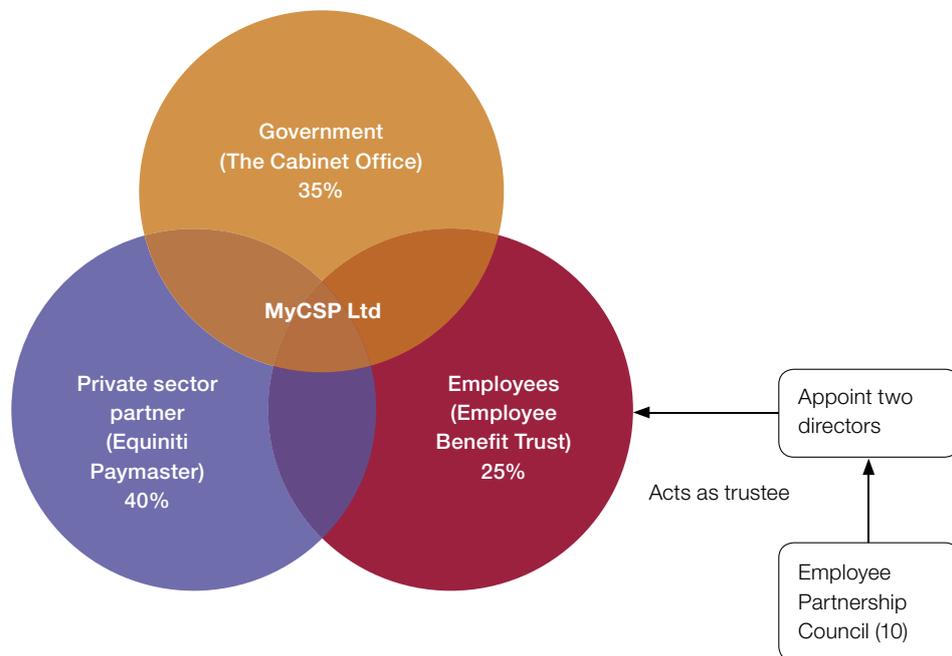
Note

1   MyCSP Trustee Company Ltd holds the shares for the employees.

Source: National Audit Office

2.11 Our report evaluated this project, and the evidence to date on its efficiency and effectiveness.[29] It benchmarked the spin-out against good practice from other business and asset transfers. It also evaluated MyCSP performance against expectations, including protections for the taxpayer and the potential impact on scheme members, since spin-out.

2.12 We found that the joint venture has the potential to be good value for money with a projected saving of 25 per cent on costs, after seven years. However, the complexity of the deal, combined with poor quality data, initial planning and infrastructure, meant that it took the Department longer than intended to finalise the transaction. The Department's early planning of the deal suffered from poor governance; and the original transaction timetable and financial model were over-optimistic. The Department subsequently reviewed the lessons learned from executing the transaction and put in place an evaluation strategy.

2.13 The Department and MyCSP will continue to face many large challenges in transforming the service. The biggest challenge is improving data to support implementation of the new 2015 pension scheme. We recommended that government will have to remain actively engaged as customer, shareholder and supplier to capture the full benefits of this deal and to ensure the risks do not revert to government. We also recommended that the Cabinet Office must ensure it evaluates the longer-term comparative performance of MyCSP and captures and disseminates the lessons learned from the deal.

The UK cyber security strategy: Landscape review (February 2013)

2.14 Our report examined the government's approach to cyber security and the programme of work it has under way, led by the Department.[30] Our report found that, although at an early stage, activities were already beginning to deliver benefits.

2.15 The November 2011 UK Cyber Security Strategy set out how the government planned to deliver the cross-government National Cyber Security Programme through to 2015.[31] This followed the commitment of an additional £650 million of funding from 2011-12 to 2014-15 (**Figure 13** overleaf). The strategy placed greater emphasis on the role of the public and industry in helping secure the UK against cyber attacks and also the opportunities to UK business from a growing market in cyber security.

29 Comptroller and Auditor General, *Spinning-out MyCSP as a mutual joint venture*, Session 2013-14, HC 538, National Audit Office, September 2013.
30 Comptroller and Auditor General, *The UK cyber security strategy: Landscape review*, Session 2012-13, HC 890, National Audit Office, February 2013.
31 The Cabinet Office, *The UK Cyber Security Strategy protecting and promoting the UK in a digital world*, November 2011. Available at: www.nao.org.uk/wp-content/uploads/2013/03/Cyber-security-Full-report.pdf

Figure 13

Breakdown of £650 million funding for the National Cyber Security Programme (2011-12 to 2014-15)

Funding has been allocated to six areas over the four years

£650 million			
2011-12 £105m	**2012-13** £155m	**2013-14** £180m	**2014-15** £210m

(£m)

	Security and intelligence agencies	Ministry of Defence	Government ICT	Home Office	Cabinet Office	Department for Business, Innovation & Skills
£ million	384	90	65	65	33	13
Percentage	59	14	10	10	5	2
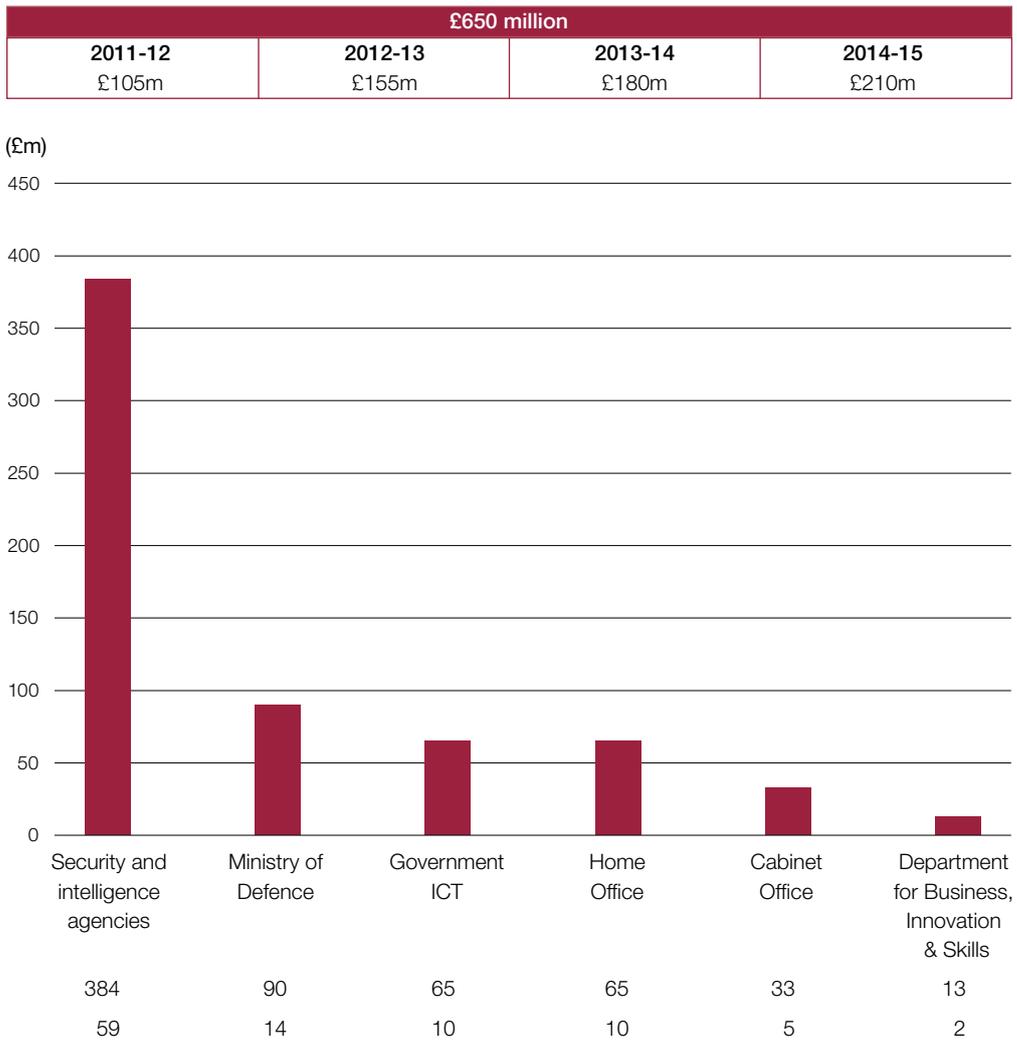
Notes

1   Nominal values.

2   The funding shown for each department is the total amount allocated over the four years 2011-12 to 2014-15.

Source: *UK Cyber Security Strategy: Protecting and promoting the UK in a digital world*, Cabinet Office, November 2011

2.16 Among progress reported so far, the Serious Organised Crime Agency[32] has repatriated more than 2.3 million items of compromised card payment details to the financial sector in the UK and internationally since 2011. According to the Agency this has prevented a potential economic loss of more than £500 million.

2.17 We identified six key challenges faced by government in implementing its cyber security strategy in a rapidly changing environment. These are:

- influencing industry to protect and promote itself and UK plc;

- addressing the UK's current and future ICT and cyber security skills gap;

- increasing awareness so that people are not the weakest link;

- tackling cyber crime and enforcing the law at home and abroad;

- getting government to become more agile and joined-up; and

- demonstrating value for money.

2.18 Although the Department has articulated what success would look like at the end of the programme, measuring its progress and assessing value for money will be a key challenge.

The Efficiency and Reform Group (April 2013)

2.19 We published two reports on the Efficiency and Reform Group (ERG) during the year. The first focused on ERG's role and the savings it reported in 2011-12.

2.20 Our report examined ERG's overall role and its reorganisation following the appointment of a new chief operating officer for government in September 2012.[33] It assessed ERG's impact on departments' spending in 2011-12 and what ERG was doing to assist departments and remove barriers to deliver its longer-term objectives.

2.21 Our analysis of departments' audited accounts confirmed that significant reductions in annual spending had been achieved since 2010 in the areas ERG aims to influence. Overall we had confidence in ERG's reported savings of £5.5 billion in 2011-12. ERG made significant contributions to department's staff savings, for example through changes to the Civil Service Compensation Scheme. However, from the information available ERG could not always distinguish between savings which had arisen solely because of its actions and those where it had had less direct effect.

2.22 Our report explained that in its cross-government role the Cabinet Office deploys a range of intervention styles. This has been termed a 'tight-loose' operating model. ERG exercises strong influence over departmental administrative spend. However, this is a small proportion of most departments' spending (**Figure 14** overleaf).

---

32 The Serious Organised Crime Agency subsumed into the new National Crime Agency in October 2013.
33 Comptroller and Auditor General, *The Efficiency and Reform Group*, Session 2012-13, HC 956, National Audit Office, April 2013.

Figure 14

The Efficiency and Reform Group controls on departments' spending

ERG has strong influence only over administrative spend which is a small proportion of most departments' spending

Percentage of departmental spend

Tight ← → Loose

■ Administrative spend:
in scope for full
spending controls

■ Benefits spend:
in scope for fraud,
error and debt savings

■ Front-line spend:
in scope for
Commercial Models,
Public Bodies Reform,
Digital Expenditure
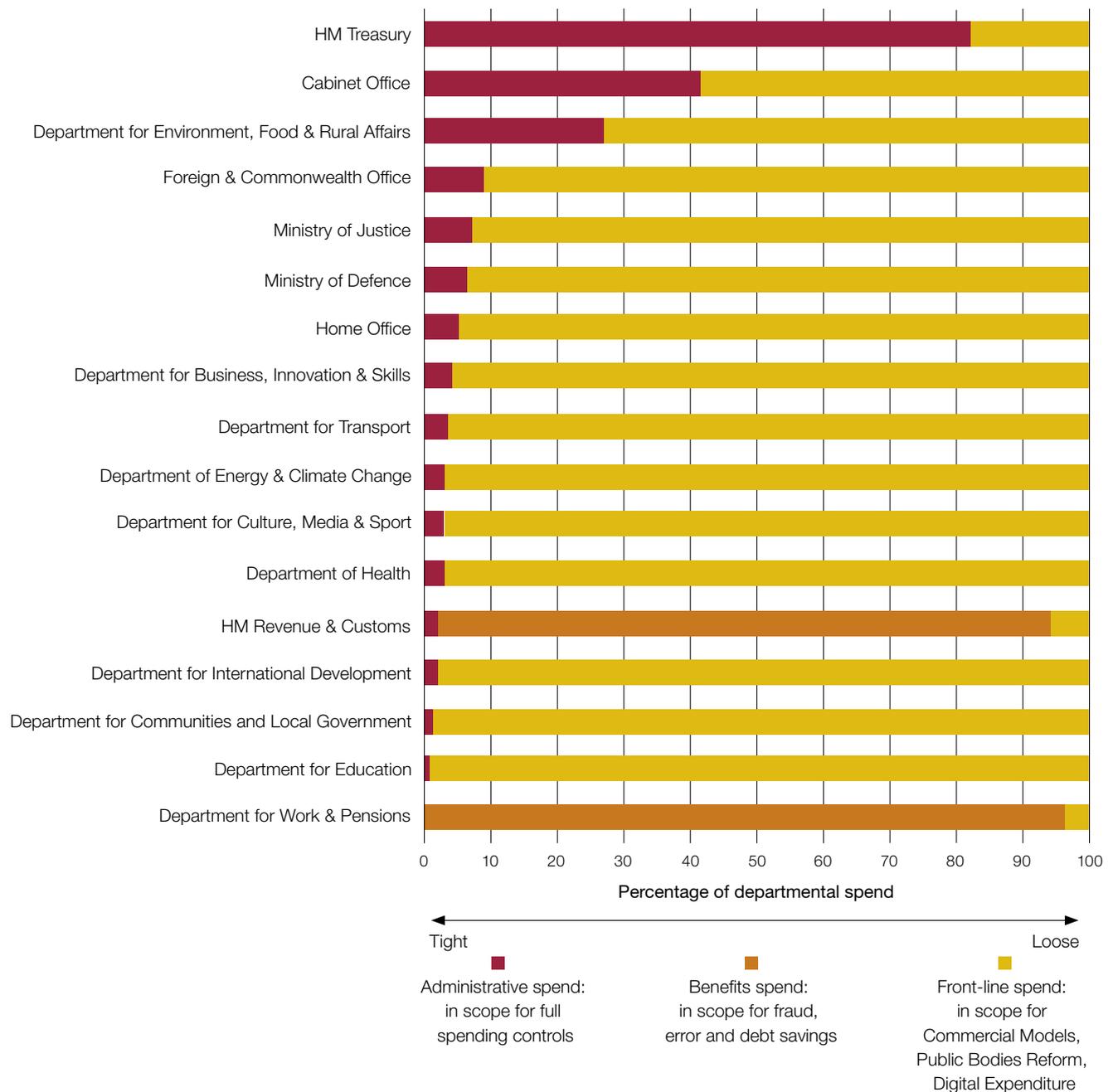
Source: Cabinet Office

2.23 Our report found that ERG was making good progress in developing strategies in some of its areas of savings activity and beginning to coordinate these strategies with departments. The strategies include large savings ambitions. However, we recommended that the plan for meeting the £20 billion annual savings aspiration was still in early development. Additionally, we recommended that both ERG and departments needed a more sophisticated understanding of risks to services at a time of major restructuring.

2.24 We pointed out that ERG was being strongly led by the Minister for the Cabinet Office and that close links with cabinet sub-committees had helped promote collective agreements across government.

2.25 We identified that savings to March 2012 had differing degrees of sustainability, with some savings repeatable and others either not repeatable or not repeatable at the initial level. While the one-off savings delivered to date were valuable, we noted that these would not contribute to the 2014-15 aspiration. We recommended that in order to assess its progress the Department needed to distinguish between one-off and sustainable savings being made by departments.

The 2012-13 savings reported by the Efficiency and Reform Group (July 2013)

2.26 This report[34] followed on from the April 2013 report and summarised our findings on the methodologies used for calculating the savings claimed by the ERG in 2012-13. ERG had reported in June 2013 that £10 billion of savings had been achieved for 2012-13, an increase of £4.5 billion. For previous years' reported savings, we had reviewed departments' audited financial statements to obtain evidence that the savings claimed had actually been realised. These were not yet available for 2012-13.

2.27 Our July 2013 report recognised the work that ERG has done to improve the calculation and assurance of individual saving categories. It found that the savings lines were underpinned by sound methodologies although uncertainties about the underlying data in departments meant that we did not attempt to assess the accuracy of the total savings amounts claimed. If the improvements continue we may be in a position to provide formal assurance of the savings figure in the future.

2.28 The increase of £4.5 billion reflected the introduction of new areas of savings, such as pension reform, and greater savings in most of the areas identified in 2011-12. The approvals process for some savings had improved, for example with savings from renegotiating contracts with suppliers now being agreed and evidenced by both supplier and the Department.

---

34 Comptroller and Auditor General, *The 2012-13 savings reported by the Efficiency and Reform Group*, Session 2013-14, HC 126, July 2013.

2.29 Individually, the Department's assertions accurately described the savings claimed (**Figure 15**). However, we expressed concern that the 2012-13 reported savings were initially presented as an aggregate figure. This meant that they did not make clear that they comprised a mix of reduced spending, plans to reduce spending, one-off receipts and costs transferred to others.

2.30 ERG had improved its own processes for checking data, but relied on departmental sign-off to verify that the information they provided was accurate. We made detailed recommendations to address the weaknesses remaining in the management process.

Memorandum on the 2012 Civil Service Reform Plan (January 2013)

2.31 In our Memorandum we examined the background to the 2012 Civil Service Reform Plan, its aims and lessons from past reforms.[35] We identified risks and challenges government should consider as these arrangements develop.

2.32 We found that our value-for-money work consistently identified the same fundamental weaknesses underlying government's failure to optimise value for money. These issues relate to:

- a lack of strategic vision;

- a lack of good quality management information on which to make decisions;

- a need for the centre of government to perform effectively in its corporate role;

- weaknesses in accountability of civil servants;

- departments working in isolation rather than around the user; and

- a lack of skills in the civil service needed to deliver modern government.

2.33 Our memorandum identified that some progress had been made, for example with the creation of the Efficiency and Reform Group and the Major Projects Authority. And it noted that the Reform Plan made clear commitments in all the identified areas of weakness. However, we reported that there had been delays in setting up arrangements to drive the reforms, and that progress was urgently required to protect the value delivered to taxpayers under reduced funding.

35 Comptroller and Auditor General, *Memorandum on the 2012 Civil Service Reform Plan,* Session 2012-13, HC 915, January 2013.

Figure 15

Summary of our conclusions for each savings line

Saving category	Amount claimed	Methodology		Assertion
	(£m)	ERG methodology provides adequate basis for savings claimed	ERG methodology is consistently applied	Assertion accurately describes saving claimed
2012-13 Actual savings				
Workforce reductions	2,220	Yes	Yes	Yes
Contingent Labour	600	Yes	Yes	Yes
Consulting	1,010	Yes	Yes	Yes
Construction	450	Yes but based on a mix between planned and actual spend	Diversity of data sources makes consistent application difficult	Yes
Property exits	310	Yes	Yes	Yes
Centralising procurement	1,020	Yes	Variation between categories of procurement makes consistent application difficult	Yes
Commercial relationships	840	Yes	Improvements introduced in 2012-13 need to be embedded	Yes
Common Infrastructure	140	Yes	Yes	Yes
Advertising and Marketing	380	Yes	Yes	Yes
Total	**6,970**			
2012-13 Reduction in planned spend or estimated outturn				
IT Reform and Digital Services	360	Yes but based on planned not actual spend	Errors identified by internal audit and removed	Yes
Major projects and NHS administration	890		Methodology only applied to a minority of projects	Yes
	320	Yes		
Total	**1,570**			
2012-13 Other Exchequer benefit				
Pensions	1,160	Methodology relies on previous estimates	Yes – subject to the methodology's limitation	Yes
Property disposals	310	Yes	Yes	Yes
Total	**1,470**			
Overall total	**10,010**			

Notes

1   The NAO has not examined departmental records and is therefore not able to comment on processes for producing information in departments.

2   In ERG's published summary all savings have been rounded to the nearest £100 million.

Source: Efficiency Reform Group published savings claims and National Audit Office conclusions

Building capability in the Senior Civil Service to meet today's challenges (June 2013)

2.34 The Senior Civil Service 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. Our report emphasised that the leadership of the civil service needs the skills to meet today's challenges if it is to deliver value for money.[36] The government accepts an urgent need for a leadership group that can think across departmental boundaries and lead change. Our report found that there was a long way to go to change the long-standing culture of the Senior Civil Service.

2.35 There were significant skills shortages in the Senior Civil Service, particularly in the areas of commerce, project management, digital leadership and change leadership. In December 2012, only 4 out of 15 permanent secretaries at major delivery departments had significant operational delivery and commercial experience. The government is now placing a stronger focus on these skills in the recruitment and development of senior and future leaders.

2.36 We reported the government's five-year plan for improving skills and performance, set out in the Capabilities Plan for the civil service, described a new corporate approach that is coherent, innovative and ambitious, but also challenging. However the 24 professional networks in the civil service lacked influence across departmental 'silos' and may not be the right groupings to meet the needs of the modern service (**Figure 16**).

Improving government procurement (February 2013)

2.37 Since 2010 the government has made a number of changes to its procurement structures and processes. The aim was to improve the management of total procurement spending across government, and to achieve savings by centralising spending on common goods and services. Our report provided an overview of the procurement reform strategy, reviewing the governance and accountability arrangements in place, and examining progress with implementation.[37]

2.38 We concluded that this was the most coherent approach to procurement reform to date, and that there were signs of good progress in key areas. The Department now had a firmer grip of procurement expenditure, and the Government Procurement Service had improved capability as the delivery body for centralised procurement. Other progress included an increase in government spending through central contracts, with reported £426 million savings for central government in 2011-12 from reduced prices, and an increase in participation in government business by small and medium enterprises, a major government objective.

---

36 Comptroller and Auditor General, *Building capability in the Senior Civil Service to meet today's challenges,* Session 2013-14, HC 129, June 2013.
37 Comptroller and Auditor General, *Improving government procurement*, Session 2012-13, HC 996, February 2013.

Figure 16

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 Senior Civil Service database

Profession	Number of posts
Policy	1,055
Operational delivery	494
Law	307
Finance	204
Project delivery	160
Human resources	123
Tax professionals	103
Information technology	100
Economics	80
Medicine	72
Communications and marketing	71
Science and engineering	69
Procurement and contract management	53
Statistics	43
Planning	26
Knowledge and information management	15
Property asset management	14
Internal audit	9
Operational research	8
Social and market research	8
Veterinarian	8
Inspector of education and training	6
Other	90
Not known	498

Number of posts

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

2.39 Central government spending through central contracts increased from £2.6 billion in 2009-10 to £3 billion in 2011-12 and reached £5.5 billion in 2012-13 (**Figure 17**).

2.40 However, we identified weaknesses in implementing the reforms, including ineffective governance structures, unrealistic targets, incomplete data and inconsistencies in management of the central contracts, including the quality of customer service. We recommended that the Department and the Government Procurement Service needed to address these issues urgently, while recognising that moving to a more standardised approach also requires departments to make compromises and adapt. We reported that there would be significant benefits to government if this approach was implemented successfully, and that in order to do so, there needed to be defined roles and strong accountability on both sides.

Figure 17
Central government spend under management: trends

Spend under management has increased since 2009-10

|	2009-10	2010-11	2011-12	2012-13
● Spend under management as a percentage of common goods and services expenditure	19.8	27.5	39.6	
● Spend under management (£bn)	2.6	2.5	3.0	5.5
● Spend under management as a percentage of total procurement spend	5.1	5.4	6.7	
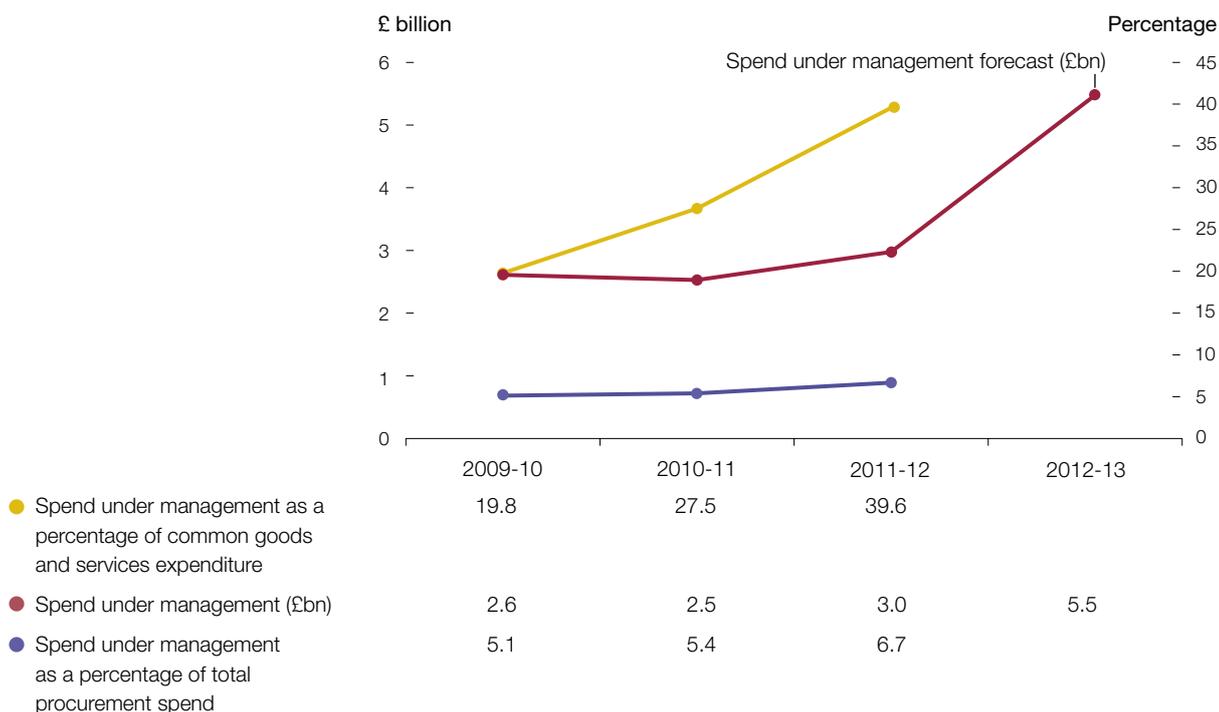
Notes

1   Targets were set in cash terms and figures have therefore not been adjusted for inflation.

2   Spend under management figure for 2012-13 is a forecast based on GPS estimates.

3   Some caution should be attached to the forecast for expenditure on common goods and services in 2011-12, as this forecast was based on department returns to the Cabinet Office. The intended scope of returns is spend on the categories of common goods and services as set out by the Cabinet Office. However, the application of this definition may vary by department.

Source: Supplier data collected by the Government Procurement Service

Integration across government (March 2013)

2.41 Integration in government refers to the coordination of working arrangements where multiple departments or public sector organisations are involved in delivering a public service or programme. Integration offers government the potential for substantial cost savings and service improvements.

2.42 Our report examined how well government identifies and implements opportunities to integrate public services or other programmes.[38] We found that government had only limited information for identifying opportunities for integration or making an assessment of costs and benefits. In some instances where government had identified integration opportunities, the benefits had not been achieved because of implementation difficulties. This can be due to underestimating the challenges imposed by integration or a lack of incentives for bodies to work together.

2.43 In the 17 departmental business plans published in May 2012, 24 per cent of departments' 444 'actions' referred to joint working with other departments. (**Figure 18** overleaf). We found that while the centre of government recognised the importance of integration it did not have clearly defined responsibilities to support or encourage frontline integration initiatives across government.

2.44 We recommended that the Department and HM Treasury should more strongly lead integration efforts across government and send a clear signal about the importance of integration. For example, they could identify opportunities to coordinate government working through the spending review and business planning processes, and monitor savings to be made from integrating services or programmes.

38   Comptroller and Auditor General, *Integration across government,* Session 2012-13, HC 1041, March 2013.

Figure 18

2012 departmental business plans: references to joint working with specified other departments

Department referred to in other department's business plan

Department authoring business plan	MoJ	BIS	FCO	DCLG	HO	CO	DfE	DoH	DCMS	Defra	HMRC	HMT	DfID	DECC	DfT	DWP	MOD	Number of other departments referred to
MoJ		Y	R		R	Y		R			Y					R		7
BIS			R	R	R	R	R				R	R						7
FCO	R	R			Y								R	Y			Y	6
DCLG		R				R						R			Y	Y		5
HO	R	R				Y		R							R			5
CO	Y	R		R	Y													4
DfE		R				Y			Y							Y		4
DoH	R				R	Y						Y						4
DCMS					Y						Y	Y						3
Defra						Y			Y					Y				3
HMRC		R										R				R		3
HMT		R		R							R							3
DfID			R			Y											Y	3
DECC				Y						Y								2
DfT					R												R	2
DWP	R										R							2
MOD				Y											R			2

Key (R = maroon, Y = yellow):

■ (maroon) Joint working between the two departments referred to in both departments' plans, for at least one action

■ (yellow) Joint working on an action referred to by the authoring department in its plan, but not in the other department's plan

□ (grey) No reference to joint working with the other department in the authoring department's plan

Notes

1   This figure does not include: actions within business plans which refer to working with other departments more generally; and joint working not recorded in business plans. For example, the Department for International Development works with other departments, such as BIS, DECC, Defra and HMT, to secure Official Development Assistance and on the UK's International Climate Fund.

2   MoJ = Ministry of Justice; BIS = Department for Business, Innovation & Skills; FCO = Foreign & Commonwealth Office; DCLG = Department for Communities and Local Government; HO = Home Office; CO = Cabinet Office; DfE = Department for Education; DoH = Department of Health; DCMS = Department for Culture, Media & Sport; Defra = Department for Environment, Food & Rural Affairs; HMRC = HM Revenue & Customs; HMT = HM Treasury; DfID = Department for International Development; DECC = Department of Energy & Climate Change; DfT = Department for Transport; DWP = Department for Work & Pensions; MOD = Ministry of Defence.

Source: National Audit Office analysis of departmental business plans

NAO work in progress

2.45 At the time of finalising our Overview we published two memoranda for Parliament on government's use of contractors. The first, examines the delivery of public services by private contractors.[39] This report forms a response to PAC's request for a hearing based around evidence from four major government contractors. The second examines managing government's strategic suppliers.[40] This report forms part of an ongoing programme of work on the way government contracts and manages its relations with its major suppliers. It includes a focus on the role of the Cabinet Office and the Crown Representatives in the management of strategic suppliers, and the role they play in the provision of public services.

2.46 Work currently being undertaken by the NAO relating to the Department that will be published in the next year includes the following reports:

- **Information in government** (tbc) will examine the extent to which good use of information is embedded in decision making, as well as the culture around the collection and use of information in government.

- **Public Bodies Reform** (early 2014) will consider the delivery of the Public Bodies Reform Programme, including reviews of the remaining arm's-length bodies.

- **The government's strategic approach to managing debt owed to it** (early 2014) will form a landscape review of the centre of government's strategic approach to debt management.

- **Update on the next generation shared services strategy** (spring 2014). This memorandum will assess how the Department has met the recommendations made by the PAC in its July 2012 report.

- **The Compact: a follow-up** (tbc). The Compact is the agreement which governs relations between the government and civil society organisations in England. This follow-up report will form a review of the government's response to our 2011-12 report on the implementation of the Compact.

39 Comptroller and Auditor General, *The role of major contractors in the delivery of public services*, Session 2013-14, HC 810, November 2013.
40 Comptroller and Auditor General, *Managing government suppliers*, Session 2013-14, HC 811, November 2013.

Part Three

National Citizen Service

3.1   National Citizen Service (NCS) is a programme which aims to build a more cohesive, responsible and engaged society and support young people through the transition into adulthood. It brings 16- and 17-year-olds from different backgrounds together in a residential and home-based programme of activity (**Figure 19**).

3.2   The Cabinet Office (the Department) plans a strong growth period for the programme in the period 2013 to 2016 (**Figure 20**). Its longer-term ambition is to make NCS available to all 16- and 17-year-olds across England.

3.3   The main programme runs full time over three weeks in the summer holidays followed by 30 hours of part-time social action. Alternatively, there are options to take part in shorter programmes during the spring and autumn half-terms (**Figure 21** on page 40).

Figure 19
The outcomes and impacts of NCS

Four outcomes contribute to a more responsible, cohesive and engaged society

Outcomes	Broad impacts
Improving teamwork, communication and leadership	A more responsible society
Facilitating transition to adulthood	
Improving social mixing	A more cohesive society
Encouraging community involvement	A more engaged society
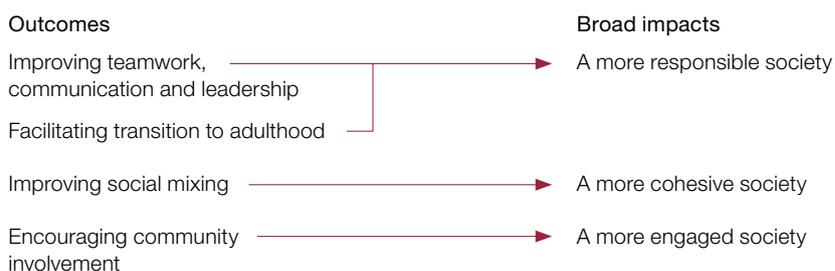
Source: Cabinet Office

Figure 20

Planned places available on NCS from 2011 to 2016

The Cabinet Office plans to roll out NCS rapidly with 150,000 places available in 2016

Number of participants/places available
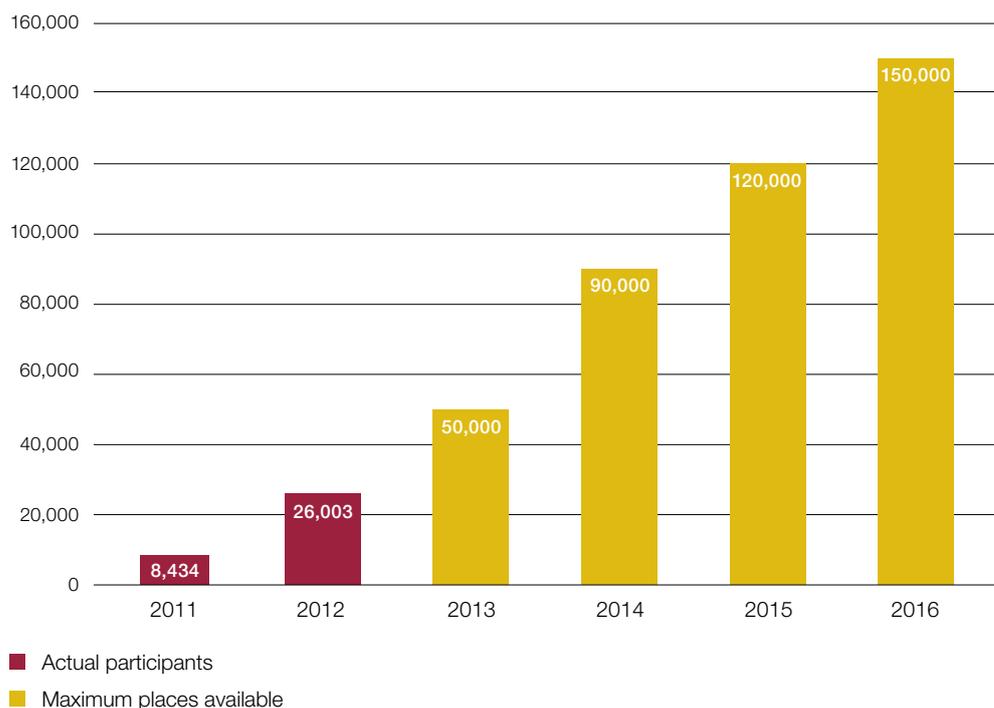
Source: Cabinet Office

The 2011 and 2012 pilot years

3.4 The Prime Minister announced National Citizen Service pilots in July 2010.[41] They took place in 2011 and 2012 and were used to inform wider roll-out from 2013. The Office for Civil Society within the Department was responsible for delivering these through delivery partners. The Department selected 12 organisations to run the 2011 pilot.[42] In 2012, the number of selected organisations increased to 29 to cope with the increase in places commissioned. In both these years the selection of organisations involved a competitive process.

41 Press Release, Cabinet Office, 22 July 2010.
42 Press Release, Cabinet Office, 10 November 2010.

Figure 21

What each phase of the programme typically involves

Young people carry out a series of organised activities aimed at helping them develop greater confidence, self-awareness and responsibility

Phase	Activity	What is involved for participants
1	Induction	An introduction to the programme where expectations are set and relationships built between participants and staff.
2 (Week 1)	Activity based residential	A set of tasks completed in a residential setting away from home which are personally challenging. Typically in the form of an outdoor challenge experience. The focus is on personal and social development.
3 (Week 2)	Community residential	A set of structured tasks that involve understanding, visiting and helping the local community and developing skills. Completed in a residential setting within the participant's local area. Increased autonomy and responsibility for time and tasks.
4 (Week 3)	Social action design	Participants design a social action task in consultation with the local community to address a problem/issue identified in Week 2.
5	Social action	A period of at least 30 hours of social action on a part-time basis, including fundraising and project delivery. A graduation fair or event to encourage participants to get involved in ongoing social action or volunteering activities in their local areas.
6[2] Graduate Programme	Ongoing	A graduate programme including training sessions and reunion events. Provides rewards/opportunities for: work experience, social action, ongoing networking, and further structured programmes.

Notes

1   Phase 2, 3, and 4 are full time and each phase lasts a week. These phases are shortened for the autumn and spring programmes. Also, in the spring and autumn programmes phases 4 and 5 are consolidated.

2   This longer-term graduate phase is still in development.

Source: Cabinet Office, NCS prospectus February 2012

3.5 The providers in the pilot years varied significantly in size, delivery models, governance and funding arrangements. Providers included Catch 22, Football League Trust and The Challenge. The bulk of funding for both pilot years was through grants.

3.6 The initial 2011 pilot took place in the school summer holiday, with the 2012 pilot adding a shorter autumn half-term programme. In 2012 over 26,000 young people participated in the programme (**Figure 22**).

Figure 22

Number of places commissioned, participants and related costs of the pilot programmes

The programme had over three times as many participants in 2012 than in 2011

Year ended 31 Dec	Places commissioned	Number of participants[1]	Participants completing the entire programme	Cost to government (£m)[2]	Cost per participant
2011	11,000	8,434	6,809	14.23[4]	£1,687
2012	33,000	26,003[3]	22,556	43.79	£1,684

Notes

1   A participant is someone who joins the programme.

2   Funding for NCS is calculated by programme year rather than financial year.

3   Of which 22,132 took part in the summer and 3,871 in the autumn.

4   The 2011 figure excludes an additional £3 million raised by providers and in-kind support.

Source: Cabinet Office

3.7   The Department commissioned independent evaluations of both 2011 and 2012 pilot years from the National Centre for Social Research (NatCen), a leading research institute. The evaluation of the 2012 programme was published in July 2013.[43] It found that participants were overwhelmingly positive about their experiences (**Figure 23** overleaf). The evaluation identified a number of lessons for programme delivery, emphasising the importance of:

● improved planning and sharing of good practice around recruitment and engagement of young people;

● clearer guidance and expectations around social mix;

● exploring links with schools and the possibility of accreditation to aid the recruitment of NCS staff; and

● a coherent and responsive staffing structure.

43   National Centre for Social Research, *Evaluation of the National Citizen Service*, July 2013. Available at: natcen.ac.uk/media/205475/ncs_evaluation_report_2012_combined.pdf

Figure 23

Findings from the National Centre of Social Research's evaluation of the 2012 programme

Almost 88 per cent of participants would definitely recommend NCS to a friend

Positive and improved return on investment (compared with 2011). The monetary benefits are estimated to be between 1.5 and 2.8 times the cost of delivering NCS in 2012.

Good social mix. Participants were representative of the general population of that age group in terms of free school meals, ethnicity and disability.

Overwhelmingly positive feedback about all aspects of NCS. An average rating of 9 out of 10 for how worthwhile and enjoyable the experience was.

Significant and improved impacts (in summer 2012 compared with 2011).

- Increased impacts on all areas of teamwork and leadership.
- Improved attitudes towards education.
- Decreased tendency towards anti-social behaviour.
- Positive feedback on the benefits of social mixing.
- Greater propensity to help out in the future.

Similar levels of impact found in the autumn pilots in 2012 (compared with summer 2012). This suggests that shorter programmes are also effective.

Source: The Cabinet Office and the National Centre for Social Research

Recent events – The 2013 programme

3.8 The Department told us its ambition for the 2013 programme is to continue to grow the programme while maintaining quality and ensuring value for money. It had previously announced that 50,000 places would be available in 2013 (Figure 20) with new spring sessions added.[44] The 2013 programme is currently ongoing and actual audited participation figures for 2013 will be available alongside the 2013 evaluation, in summer 2014.

3.9 Funding for delivery of the programme has now moved from annual grants to multi-year service contracts, to support scaling up, and secure value for money. The Department considers that this enables closer specification of programme format and curriculum, and increases the likelihood that providers will deliver successfully.

44 Policy announcement, Cabinet Office and HM Treasury, 20 February 2013.

3.10 In September 2012, following a tender exercise, the Department signed two-year contracts worth around £200 million for 2013 and 2014, with eight successful bidders (**Figure 24**).[45] These were selected from a total of 57 bids for 19 regional contracts. The successful bidders will be given the option to extend a further year to cover delivery in 2015 at the discretion of the Department. In total, over 120 organisations are involved in the regional and local delivery of the programme during this period, including around 70 charities, 20 local councils, 30 education providers and five educational institutions and businesses.

Figure 24

Organisations contracted to deliver the 2013 and 2014 programme

The successful bidders for regional contracts included charities, college consortia and Voluntary, Community, Social Enterprise and private sector partnerships

Organisation	Region(s)	Value of original contract (including VAT) (£m)
Football League Trust[1]	Yorkshire & Humber 1 (1 region)	9.1
Inspira	North West 3 (1 region)	8.2
Lincolnshire & Rutland Education Business Partnership[1]	East Midlands 1 (1 region)	9.9
New College Nottingham[1]	East Midlands 2 (1 region)	11.8
Petroc[1]	South West 1; South West 2 (2 regions)	10.2
Reed	East 1; East 2 (2 regions)	24.5
The Challenge Network[1,]	London North, London South, West Midlands 2; North West 2; South East 3 (5 regions)	57.5
The NCS Network (Vinspired, NYA, UK Youth, Catch 22[1], Serco)	North East; North West 1; Yorkshire & Humber 2; West Midlands 1; South East 1; South East 2 (6 regions)	73.8
		205.0

Note

1   Also acted as providers during the 2012 pilot.

Source: The Cabinet Office

45   Press release, Cabinet Office, 13 September 2012.

3.11 In 2013 the Department managed performance through contractual key performance indicators and payment by results with 25 per cent of contract value based on results. The payment criteria include: ensuring places are filled; ensuring that young people who go on the programme are reflective of the social mix in their area; and ensuring that the quality of the programme is high.

3.12 The Department told us that it had applied the following lessons learned from the pilots to help develop its approach in 2013:

● Many local suppliers to regional contractors are Voluntary Community Social Enterprise (VCSE) organisations. To ensure that these VCSE organisations were dealt with fairly the Department capped management charges at 5 per cent of contract value, and wrote a code of practice into its contracts with private sector providers.

● Having arrangements with more than one provider in a region in 2012 created coordination problems and confusion for schools and young people. In response, in 2013 the Department let only one contract in each region (Figure 24).

3.13 The Department told us that it managed 2013 contracts closely, with weekly monitoring of key performance indicators, and regular reports on these to the Minister for Civil Society. It also provided further support to the provider network based on lessons from 2011 and 2012, including:

● greater specific guidance on recruitment and programme quality;

● introducing central training for the frontline workforce; and

● introducing a requirement that Department sign off programme plans (the timetables of activity that young people participated in).

Future plans for the programme

3.14 The Chancellor committed to continued expansion of the programme in the 2013 Spending Review. The settlement included funding to support a maximum of 90,000 places in 2014, 120,000 places in 2015 and 150,000 in 2016 – subject to competitive procurement (Figure 20).[46]

3.15 The Department has established an independent organisation, NCS Trust, to administer the programme. The Department considers that an independently managed programme will:

● help create new opportunities for innovation;

● help bring in specialist skills and expertise from other sectors; and

● support the long-term sustainability of the programme by giving it an independent identity from government. The Cabinet Office believes this will also allow NCS to attract broad-based public support.

3.16 NCS Trust has been set up as a registered community interest company. The Trust will be chaired by Stephen Greene, co-founder and Chief Executive of RockCorps, a pro-social production company which "uses music to inspire people to volunteer and get involved in their community". He will act in a voluntary capacity.

3.17 NCS Trust will appoint a maximum of 15 directors to its board, the majority of which are non-executives including a representative from the Department. All non-executives will serve for a period of three years. The Department will also maintain governance of taxpayers' money through regular reporting and sanction rights in the event of poor performance.

46   HM Treasury, *Spending Round 2013,* Cm 8639, June 2013.

Risks and challenges surrounding the programme

3.18 NCS is one of three large programmes of significance for the Department and was rated amber for risk by the Major Projects Authority in quarter two 2012-13 (Figure 9). The Department has a risk register and steps in place to manage each of these key risks and challenges of the programme:

- **Transition and delivery.** Ensuring that the transition to an independent Trust is well managed and does not impact delivery of the programme. Once the Trust is established, implementing suitable procedures to monitor its performance. This includes the Department ensuring that the aims it has set out for the programme are achieved by the Trust.

- **Gaining backing.** Building a broad base of support for NCS across civil society and among the public. Ensuring that devolving management to the Trust is seen to give it independence from government, and offering greater opportunities to broaden its support base.

- **Achieving rapid growth.** Growth aspirations for the programme are ambitious and strong momentum is needed to achieve the projected increases in participant numbers. Continuing to increase awareness of and demand for the programme and demonstrating its benefits to young people, parents, teachers and the wider public.

- **Financial sustainability.** Demonstrating that the programme is achieving value for money, in particular through putting pressure on costs while maintaining good programme quality. Attracting financial sponsorship from outside government to support the long-term viability of the programme as costs rise in line with expected growth.

- **Managing risk to participants.** Ensuring a safe, high-quality experience and positive outcomes for those who take part in the programme is vital to its continued success. Key elements of the programme such as outdoor activities that make it successful with participants inevitably involve managing risk. As the programme grows the risk of a fatality or serious injury to a participant increases. Resultant adverse publicity could put the future of the programme in jeopardy.

Appendix One

The Department's sponsored bodies at 1 April 2013

Bodies within the Department's accounting boundary

Advisory Committee on Business Appointments

Boundary Commission for England

Boundary Commission for Wales

Commissioner for Public Appointments

Committee on Standards in Public Life

House of Lords Appointments Commission

Security Vetting Appeals Panel

Senior Salaries Review Body

Main Honours Advisory Committee

Executive NDPBs

Civil Service Commission

Bodies outside the Department's accounting boundary

Executive Agencies

Government Procurement Service

Appendix Two

Results of the Civil Service People Survey 2012

Question scores (% strongly agree or agree)	Civil service overall	Department for Business, Innovation & Skills (excluding agencies)
Leadership and managing change		
I feel that the Department as a whole is managed well	**43**	39
Senior civil servants in the Department are sufficiently visible	**48**	51
I believe the actions of senior civil servants are consistent with the Department's values	**42**	40
I believe that the departmental board has a clear vision for the future of the Department	**40**	41
Overall, I have confidence in the decisions made by the Department's senior civil servants	**39**	37
I feel that change is managed well in the Department	**29**	26
When changes are made in the Department they are usually for the better	**25**	19
The Department keeps me informed about matters that affect me	**56**	59
I have the opportunity to contribute my views before decisions are made that affect me	**36**	31
I think it is safe to challenge the way things are done in the Department	**40**	37
Organisational objectives and purpose		
I have a clear understanding of the Department's purpose	**84**	81
I have a clear understanding of the Department's objectives	**79**	74
I understand how my work contributes to the Department's objectives	**82**	79

Note

1   The score for a question is the percentage of respondents who strongly agree or agree to that question.

Source: *Civil Service People Survey 2012*, available at: www.civilservice.gov.uk/about/improving/employee-engagement-in-the-civil-service/people-survey-2012, accessed 28 August 2013

Cabinet Office (excluding agencies)	Department for Communities and Local Government (excluding agencies)	Department for Culture, Media & Sport (excluding agencies)	Ministry of Defence (excluding agencies)	Department for Education	Department of Energy & Climate Change	Department for Environment, Food & Rural Affairs (excluding agencies)	Foreign & Commonwealth Office (excluding agencies)	Department of Health (excluding agencies)	HM Revenue & Customs (excluding agencies)	HM Treasury	Home Office (excluding agencies)	Department for International Development	Ministry of Justice (excluding agencies)	Department for Transport (excluding agencies)	Department for Work & Pensions (excluding agencies)
38	31	23	19	39	39	29	56	31	21	62	39	63	48	43	29
47	45	37	26	46	64	42	59	47	33	71	48	71	56	59	30
40	33	23	24	39	47	34	55	39	27	59	40	62	47	47	29
29	31	29	22	31	27	22	54	24	24	47	28	64	37	35	30
40	30	18	16	35	42	29	50	33	19	57	35	58	43	39	23
28	22	19	11	27	27	19	42	18	17	49	23	44	34	27	24
22	14	12	9	17	25	14	36	14	14	35	18	32	29	19	20
57	54	56	41	55	67	56	62	49	40	72	60	69	61	63	46
34	32	32	20	37	39	31	42	30	20	48	33	50	37	35	23
41	29	32	30	36	43	37	45	31	29	54	38	44	41	43	33
73	67	64	80	83	87	74	83	68	75	86	84	94	79	80	79
63	63	62	72	77	84	70	80	62	72	80	80	92	73	74	77
73	72	70	76	80	86	75	84	69	75	82	81	91	77	79	78

Appendix Three

Publications by the NAO on the Department since April 2012

Publication date	Report title	HC number	Parliamentary Session
12 November 2013	The role of major contractors in the delivery of publc services	HC 811	2013-14
12 November 2013	Managing government suppliers	HC 810	2013-14
12 September 2013	Spinning-out MyCSP as a mutual joint venture	HC 538	2013-14
8 July 2013	The 2012-13 savings reported by the Efficiency and Reform Group	HC 126	2013-14
21 June 2013	Confidentiality clauses and special severance payments	HC 130	2013-14
19 June 2013	Building capability in the Senior Civil Service to meet today's challenges	HC 129	2013-14
13 June 2013	Financial management in government	HC 131	2013-14
17 April 2013	Cabinet Office – The Efficiency and Reform Group	HC 956	2012-13
28 March 2013	Digital Britain 2: Putting users at the heart of government's digital services	HC 1048	2012-13
13 March 2013	Integration across government	HC 1041	2012-13
27 February 2013	Improving government procurement	HC 996	2012-13
12 February 2013	The UK cyber security strategy: Landscape review	HC 890	2012-13
February 2013	Sustainable procurement in government – briefing for the House of Commons Environmental Select Committee	www.nao.org.uk/wp-content/ uploads/2013/03/EAC_briefing_ sustainable_procurement_government.pdf	
24 January 2013	Memorandum on the 2012 Civil Service Reform Plan	HC 915	2012-13
23 January 2013	The impact of government's ICT savings initiatives	HC 887	2012-13
18 October 2012	Managing budgeting in government	HC 597	2012-13
2 May 2012	Assurance for major projects	HC 1698	2010–2012
17 April 2012	Implementing transparency	HC 1833	2010–2012

Where to find out more

National Audit Office