National Audit Office

Report
by the Comptroller
and Auditor General

Cabinet Office and HM Treasury

The centre of government

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Cabinet Office and HM Treasury

The centre of government

Report by the Comptroller and Auditor General

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This report examines the role of the centre of government, including changes to the centre in recent years.

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Overview

1 The centre of government ('the centre') has responsibility for coordinating and overseeing the work of government, enabling it to achieve its strategic aims and ensuring there is a central view of the effective operation of government as a whole. Most of these strategic functions are performed by the Cabinet Office and HM Treasury (the Treasury). This report examines the role of the centre of government, including changes to the centre in recent years. It is not intended to be a comprehensive examination of the roles and functions of the Cabinet Office and the Treasury, and we do not conclude on the value for money of the centre of government. Instead, we draw together insights from our previous reports and those of the Committee of Public Accounts (the Committee) on these issues. We examine in particular:

- current responsibilities of the centre, relationships with other departments, and spending and staffing information;
- recent changes to the centre, including what these changes were intended to achieve; and
- findings on the centre from past NAO and Committee reports.

Government has recognised the need for more integration

2 The traditional operating model of government has been one of departmental autonomy, set within an overall spending framework determined by the Treasury at the centre. Under this model, the centre allocates departmental budgets and it is then up to departments to operate within these. Departmental accounting officers are ultimately responsible for their department's business decisions:

> "Within the standards expected by parliament, and subject to the overall control and direction of their ministers, departments have considerable freedom about how they organise, direct and manage the resources at their disposal. It is for the accounting officer in each department, acting within ministers' instructions, and supported by their boards, to control and account for the department's business."[1]

1 HM Treasury, *Managing public money*, July 2013, para 1.5.1.

3 The centre has always had a coordinating function in other areas, such as national security or providing support to the Prime Minister. In recent years, the centre has recognised that there are other areas of government activity where introducing central strategic leadership could achieve greater benefits for government as a whole. In the Civil Service Reform Plan, the government acknowledges that:

> "The organisational model of the Civil Service will need to adapt if it is to successfully reform. With 17 main departments varying greatly in size, the Civil Service will need a much stronger corporate leadership model, and much more sharing of services and expertise, if it is to deliver the step change in efficiency needed. … The demands of a smaller Civil Service together with relentless pressure to save money require greater clarity in the relationship between the corporate centre and departments."[2]

This move towards greater central coordination in strategic areas has been given impetus by the climate of austerity.

4 The creation of the Efficiency and Reform Group signalled a move towards stronger management of the corporate functions of government. It brought together many of the corporate functions of a typical organisational headquarters, and a Chief Operating Officer for government was subsequently appointed. Similarly, the Treasury has recently appointed a Director General for Public Spending and Finance in a newly-created role akin to a private sector chief financial officer. However, the business of government is complicated by other contextual factors, which means it is not directly comparable to a private sector organisation. One key factor is the relationship between central direction and the established model of departmental autonomy, enshrined in the role of accounting officers.

5 The centre has introduced several cross-cutting initiatives and organisational changes since 2010, alongside the traditional vertical model of departmental accountability. The Cabinet Office has led most of these initiatives, as part of its role in reforming the civil service. The new initiatives have sat alongside the Treasury's economic and finance functions, which have been the Treasury's main strategic focus since the election. For example:

- **Efficiency and Reform Group:** The Group was formed within the Cabinet Office in May 2010 to provide structure and coherence across government to the policy aim of reducing spending. Its purpose is to help departments make savings through improving their efficiency combined with stronger central oversight. In particular, the Group oversees spending controls delegated from the Treasury over areas such as procurement, ICT, property and consultancy. These controls have helped departments make large spending reductions. High-profile governmental targets have also helped to focus attention on a shared purpose.

2 HM Government, *Civil Service Reform Plan*, June 2012, p 11.

- **Major Projects Authority:** The Authority was launched in March 2011 as a partnership between the Cabinet Office and the Treasury, backed by a prime ministerial mandate. It is designed to strengthen the central project assurance system.
- **Review of financial management in government:** The Treasury-led review sought to introduce greater coherence within government finance. The review recommended improvements to the leadership of government finance, management information, the spending control framework and the provision of internal audit services. Combining the leadership of government finance with the Treasury's established responsibilities for financial controls will help to improve the coherence of finance functions.

There has been some progress towards implementing greater integration

6 In our reports on centre of government issues, we have been generally positive about the rationale for central initiatives. On the procurement reform strategy, we said that this was the most coherent approach to reform to date.[3] We also acknowledged the Cabinet Office's attempts to take a strategic cross-government approach to departmental debt management, especially in making better use of the private sector.[4]

7 We have also recognised where these initiatives have had an impact, and can draw out some shared characteristics:

- **A clearly defined goal:** For example, the Efficiency and Reform Group sets and monitors overarching government efficiency targets. In our report on the progress of the Group, we concluded that the scale of the savings that the Group has helped departments achieve, net of its own running costs, demonstrates that it has provided value for money.[5]
- **A formal process with approvals and sanctions:** For example, mandatory spending controls in areas such as ICT and consultancy have resulted in savings, and the Major Project Authority's integrated assurance process ensures greater visibility of project risks.
- **Mobilising a short-term response to a crisis:** This is classic centre of government territory. For example, over-billing in the electronic monitoring contracts instigated a cross-government review of contracts, with departments required to produce action plans to respond to the recommendations.

3 Comptroller and Auditor General, *Improving government procurement*, Session 2012-13, HC 996, National Audit Office, February 2013.
4 Comptroller and Auditor General, *Managing debt owed to central government*, Session 2013-14, HC 967, National Audit Office, February 2014.
5 Comptroller and Auditor General, *The Efficiency and Reform Group*, Session 2012-13, HC 956, National Audit Office, April 2013.

But more emphasis could be given to long-term planning

8 Centrally applied preventive controls are generally effective, but they can also be rather blunt instruments, and cumbersome to operate. Although they may never disappear altogether, they can be substantially replaced by the more positive approach of detailed business planning over more than one accounting period, supported by budgetary control and strong accountability. Progress in this direction would support the more coherent management of longer-term projects and programmes, which form such a large part of the business of government.

9 Where the centre of government builds pools of deep and scarce expertise, however, it is important that these contribute to the decision-making processes of departments at the right time, and preventive controls can assist in ensuring that this happens.

There needs to be a consensus on the role of the centre

10 Our perception is that there remain significant tensions within central government over the appropriate role of the centre, and that of individual departments. We see this as unhelpful to the effective management of government's projects and programmes.

11 A more coordinated approach to managing the business of government could offer benefits including: better value for money; improved services for the user; enhanced accountability to Parliament and the citizen; and a more coherent organisational view. These benefits will remain relevant as government seeks to implement its policy priorities in an environment of spending restraint for years to come. It is for government to determine how best to organise itself to deliver its priorities, but we think there are some 'unarguable responsibilities' which fall to the centre. These are, in many ways, aligned with government thinking and we recognise there is already activity under way in most of the areas set out below. We intend to use these areas as reference points in our ongoing examination of the strategic centre of government. We hope that they might also help government develop its own vision for a unified, coherent strategic centre:

a **Articulating a clear operating model for government:** For clearer accountability, the Cabinet Office and the Treasury should clarify their respective roles as the corporate centre. They need to jointly present a coherent interface to departments that complements the role of accounting officers. This could be expressed as a contractual arrangement (for example, when the centre is delivering a shared service to departments as a customer); as a formal approvals process; or as a set of shared expectations.

b **Providing strategic leadership of cross-government policies or programmes:** This involves clear governance and accountability, a central statement of objectives, performance monitoring, and a continued focus on achieving benefits. This is particularly important in areas of high-risk and high-profile reform, and where things need to progress quickly, ensuring an evidence-based measurement of such change.

c **Exploiting government's collective strength:** In some areas, the size of government as a customer gives it a competitive advantage or increased influence to achieve change. This can be seen, for example, in negotiations with suppliers on specific contracts, and more generally in managing ongoing relationships with suppliers.

d **Identifying and implementing more efficient and effective ways of working:** This includes promoting standardisation and consistency across government in areas such as buying common goods and services (for example, stationery and travel). It can include direct delivery of shared services for back-office functions like HR, finance and procurement, and also for other areas of specific expertise such as project management or operational delivery. There are also opportunities to exploit and rationalise government's assets, such as property, land and IT.

e **Incentivising the right behaviour, including promoting collaboration, integration and innovation:** Under the operating model of government, the accounting officer is responsible for the proper stewardship of resources and thereby, primarily, making the best decisions for their department. However, the centre can seek to influence and incentivise the right kinds of behaviour so that cross-government benefits are achieved. This may take the form of: funding incentives; additional performance objectives; ensuring long-term costs and benefits are taken into account; clearly demonstrating the value for money of adopting a central approach; or softer influencing strategies such as bringing department experts together to find solutions.

f **Understanding the cross-government picture and, where appropriate, making the best decisions for government as a whole:** It is valuable for the centre to have a strategic view of activity, performance and risk, with a failure regime in place allowing for risk-based intervention or coordinated action where necessary (see a). To avoid unnecessary data burdens, the centre needs to understand what data are necessary and how to use existing data sources, including benchmarking and sharing of good practice.

g **Improving governmental capability:** To improve policy implementation across government, the centre needs to understand current levels of capability and any capability gaps, how best to deploy the skills it has, and how to develop capability to run the government of the future. This also involves developing adequate capacity and capability at the centre.

h **Presenting a coherent view:** Developing a coherent, coordinated message in certain areas of government activity would help the centre maintain focus on these issues as governmental priorities, and support coordinated planning for cross-cutting activities. It would also help project an organisational confidence to Parliament and the public.

Part One

The centre of government

1.1 This part outlines the centre's current priorities and responsibilities, relationships between the centre and departments, and spending and staffing information.

Central departments: priorities and responsibilities

The Cabinet Office and the Treasury

1.2 The Cabinet Office is responsible for ensuring the effective operation of government and providing support to the Prime Minister, Deputy Prime Minister and the Cabinet. HM Treasury (the Treasury) is responsible for developing and implementing the government's financial and economic policy and, since 2008, has also led on responding to the financial crisis. The priorities of each are published in departmental business plans (**Figure 1**). These mainly cover 'change' priorities and departments will have separate additional objectives which also guide their activities.

Figure 1
Cabinet Office and HM Treasury priorities

Cabinet Office

1. Promote UK growth
2. Drive efficiency and effectiveness in government
3. Increase transparency in the public sector
4. Reform our political and constitutional system
5. Build the Big Society
6. Promote social mobility

HM Treasury

1. Reducing the structural deficit in a fair and responsible way
2. Securing a growing economy that is more resilient, and more balanced between public and private sectors
3. Reforming the regulatory framework for the financial sector to avoid future financial crises

Source: Cabinet Office and Treasury departmental business plans, available at: http://transparency.number10.gov.uk

The strategic centre

1.3 As well as their own departmental responsibilities, the Cabinet Office and the Treasury perform a variety of central functions (**Figure 2**):

- **Strategic functions.** These reflect the position of the Cabinet Office and the Treasury at the centre of government. They include overseeing public spending and how departments implement Cabinet decisions and the Prime Minister's and Deputy Prime Minister's priorities. They also include work that is logical for the central departments to do because of the strategic nature of those responsibilities. For example, the Treasury supports the financial sector and the Cabinet Office oversees national security.
- **Coordinating functions.** The central departments coordinate or bring together other government departments' activities in several areas. Examples include the Cabinet Office's role in coordinating policy to support collective decision-making, and the Treasury's responsibility for coordinating departmental spending proposals, budget allocation and preparation. The central departments can also take a coherent view of common issues affecting departments and can help departments work together on cross-cutting policy issues.
- **Corporate improvement functions.** The centre can provide strong direction to departments to improve how they operate. Examples are the civil service and commercial reform programmes, oversight of major project delivery, and setting standards for financial reporting, management and accountability.

1.4 Some of the central responsibilities set out in Figure 2 are established functions of the centre, such as the Cabinet Office's policy coordination role or the Treasury's responsibility for overseeing public expenditure. There are other policy areas at the centre that could sit elsewhere in government, such as responsibility for constitutional reform, civil society or social mobility. Change in the centre's role over the last four years has brought in or emphasised newer central functions. These show how the centre has become more strategic and active in certain areas, such as overseeing implementation, civil service reform, leading individual functions (such as finance and HR), and efficiency and reform. We examine these changes in Part Two.

The Prime Minister's Office

1.5 The Prime Minister's Office (Number 10) is formally part of the Cabinet Office, with its staffing and funding included in the Cabinet Office's overall budget. However, it has a distinct function as the political centre of government, and oversees the government's entire programme. It supports the Prime Minister to set and implement the government's strategy and policy priorities. The Cabinet Secretary performs a key role in signalling Number 10's priorities to the rest of government, and holding permanent secretaries to account for delivery.

Figure 2
Cabinet Office and HM Treasury: main responsibilities

Centre of government

Cabinet Office
Provides support to the Cabinet, Prime Minister and Deputy Prime Minister, and ensures the effective running of government

HM Treasury
The economics and finance ministry for the UK, responsible for formulating and implementing the government's financial and economic policy

National security
Includes intelligence, security and resilience, and foreign and defence policy

Efficiency and reform
Includes spending controls, major projects, procurement, property, digital, commercial models, shared services, management information, public bodies, and fraud, error and debt

Financial stability
Financial stability issues and resolution of financial intervention

Public spending
Public spending control, good governance and financial management

International and EU
Responsible for advancing UK's economic and financial interests internationally and in the EU

Government innovation
Includes civil society, transparency, behavioural insights and open policymaking

Support to Cabinet, Prime Minister and Deputy Prime Minister
Provided through the Prime Minister's Office, Deputy Prime Minister's Office, Economic and Domestic Affairs Secretariat, and European and Global Issues Secretariat

Economics
UK economic analysis, surveillance and professionalism

Strategy, planning and Budget
Forward strategy, work programme and the Budget

Financial services
Financial services regulatory framework and financial markets policy

Constitutional reform
Conducted through the Constitution Group in the Deputy Prime Minister's Office

Monitoring implementation of government priorities
Conducted through the Implementation Unit

Fiscal
Fiscal strategy, funding and debt management

Business and international tax
Business tax, indirect taxes and international tax

Public services
Oversight of major public service expenditure

Personal tax, welfare and pensions
Personal tax, welfare, labour market and HMRC/DWP expenditure, pensions and savings

Civil service reform
Implementation of Civil Service Reform Plan, civil service talent, workforce reform and governance reform and partnerships

Enterprise and growth
Growth-related policy and expenditure, including infrastructure strategy and delivery, and public private partnerships

Government in Parliament
Includes Office of the Parliamentary Counsel and parliamentary business managers

Direct responsibility for strategic areas ← Cross-cutting responsibilities → Direct responsibility for strategic areas

Source: National Audit Office, based on Cabinet Office and Treasury organisation charts

1.6 Number 10's structure includes a private office, press office, and policy unit. In 2012-13, net costs for Number 10 were £17.8 million. This largely comprised staff costs of £9.9 million, and programme and administrative costs of £7.9 million. There were 160 permanent staff and 16 special advisers employed at Number 10 in 2012-13.

1.7 The Cabinet Office has some direct reporting arrangements to Number 10, particularly through the Implementation Unit. The Implementation Unit's role is to monitor and improve policy implementation across government, support departmental capability and give advice to Number 10 on specific implementation risks. The Minister for the Cabinet Office highlights significant issues for the Prime Minister's attention, such as those concerning civil service reform and Efficiency and Reform Group initiatives. Other parts of the Cabinet Office and the Treasury work closely with Number 10 on an ongoing basis, responding to the immediate priorities as necessary.

The centre's relationships with departments

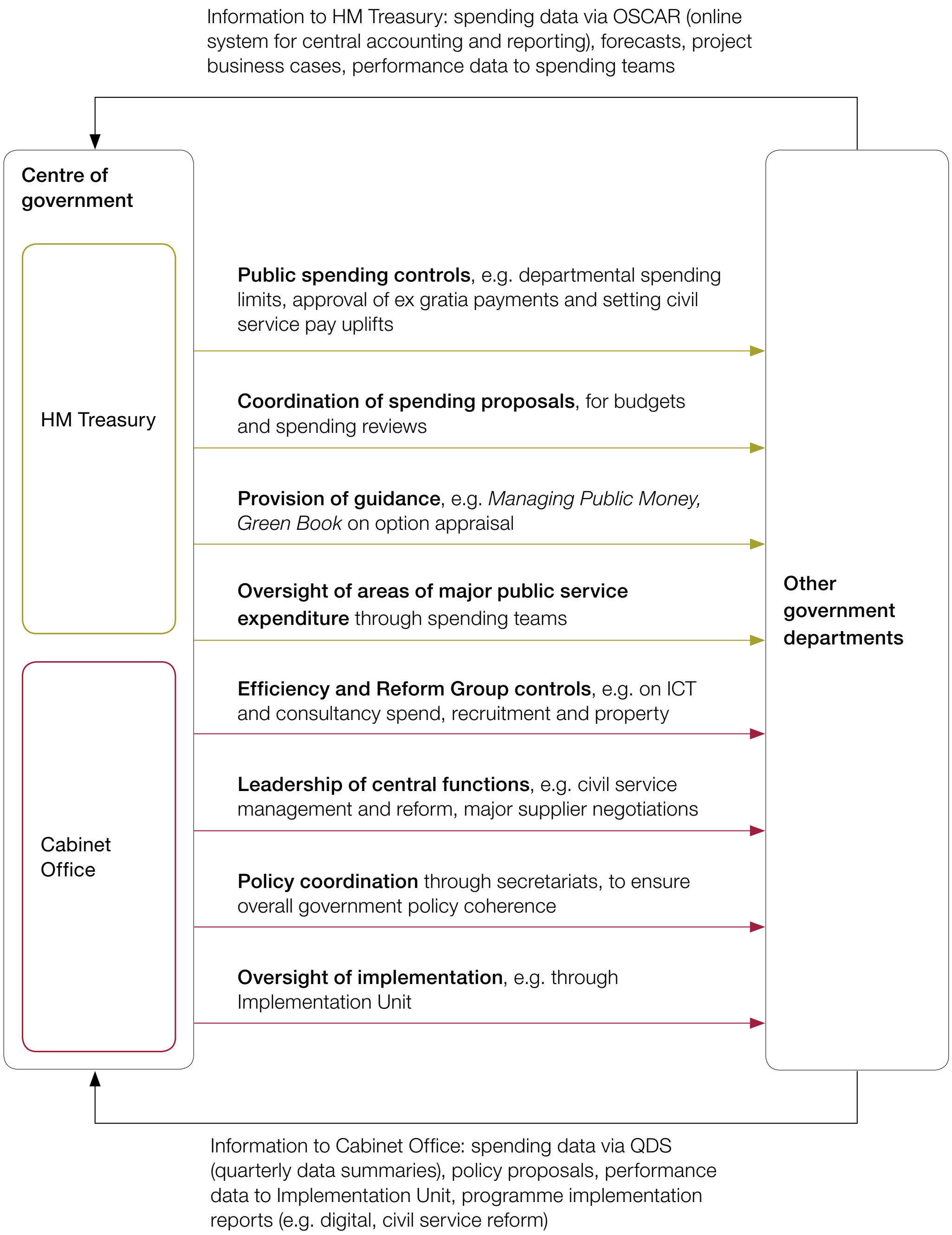
1.8 The Cabinet Office and the Treasury interact with other government departments in many ways in their capacity as the centre of government. Key central activities include coordinating or overseeing policies and spending proposals, providing guidance to all departments, and collating departmental data to monitor cross-government issues. **Figure 3** describes some of the key relationships and information and data flows between the centre and departments.

1.9 The Treasury is responsible for the overall budgetary and spending framework within which departments receive, and account for, the funds needed for their operations. It gives guidance on financial management issues, such as preparing budgets and financial reporting, so departments work to consistent and common standards. Guidance on the responsibilities of departmental accounting officers is contained in *Managing public money*, which was updated in July 2013 and now includes reference to accounting officer responsibility for the affordability and sustainability of their budgets.[6] The Treasury has spending teams for each department which scrutinise budget and spending proposals, including ensuring departmental business cases represent good value for money and are affordable as part of the approval process. Departments provide spending forecast and outturn data to the Treasury through the OSCAR system (online system for central accounting and reporting), and must seek Treasury approval for spending above departmental delegated limits, as well as novel and contentious spending.[7]

6 HM Treasury, *Managing public money*, July 2013, para 3.3.3.
7 HM Treasury, *Managing public money*, July 2013, para 2.3.4. *Managing public money* states that explicit Treasury consent is required for spending commitments which involve: "transactions which set precedents, are novel, contentious or could cause repercussions elsewhere in the public sector". Examples given include ex gratia payments to compensate for official errors, special severance payments to terminate contractual commitments, and unusual schemes or policies using novel techniques.

Figure 3

The centre and departments: examples of interactions



Source: National Audit Office

1.10 The Cabinet Office engages with departments on policy coordination and Efficiency and Reform Group initiatives. Its support role to the Prime Minister, Deputy Prime Minister and Cabinet means it is the focus for coordinating policies across departments, to ensure the coherence of the government's overall programme. It does this through the Economic and Domestic Affairs Secretariat, which provides support for Cabinet meetings and works across government to secure collective agreement to domestic policies. In addition, the European and Global Issues Secretariat coordinates collective agreement on international economic and European policy, and the National Security Secretariat coordinates departmental work on national security issues. The Efficiency and Reform Group works with departments to improve efficiency and make savings. It applies spending controls on departments in areas such as ICT, consultancy and marketing; requests regular spending data from departments through the quarterly data summaries; and combines departmental buying power for commonly-procured goods and services through the Crown Commercial Service. The Efficiency and Reform Group describes its way of working with departments as one of 'coordinated cooperation'.

Central departments: spending

1.11 Total Treasury Group expenditure was £929 million for 2012-13 (**Figure 4**). Treasury spending has fundamentally changed because of the financial crisis. We have shown total Treasury Group expenditure to highlight how the costs of the Treasury's economics and finance ministry role are surpassed by the resources it has invested in financial interventions. Treasury costs for the core department, excluding any costs relating to financial interventions and agency costs, were only £315 million for 2012-13.[8]

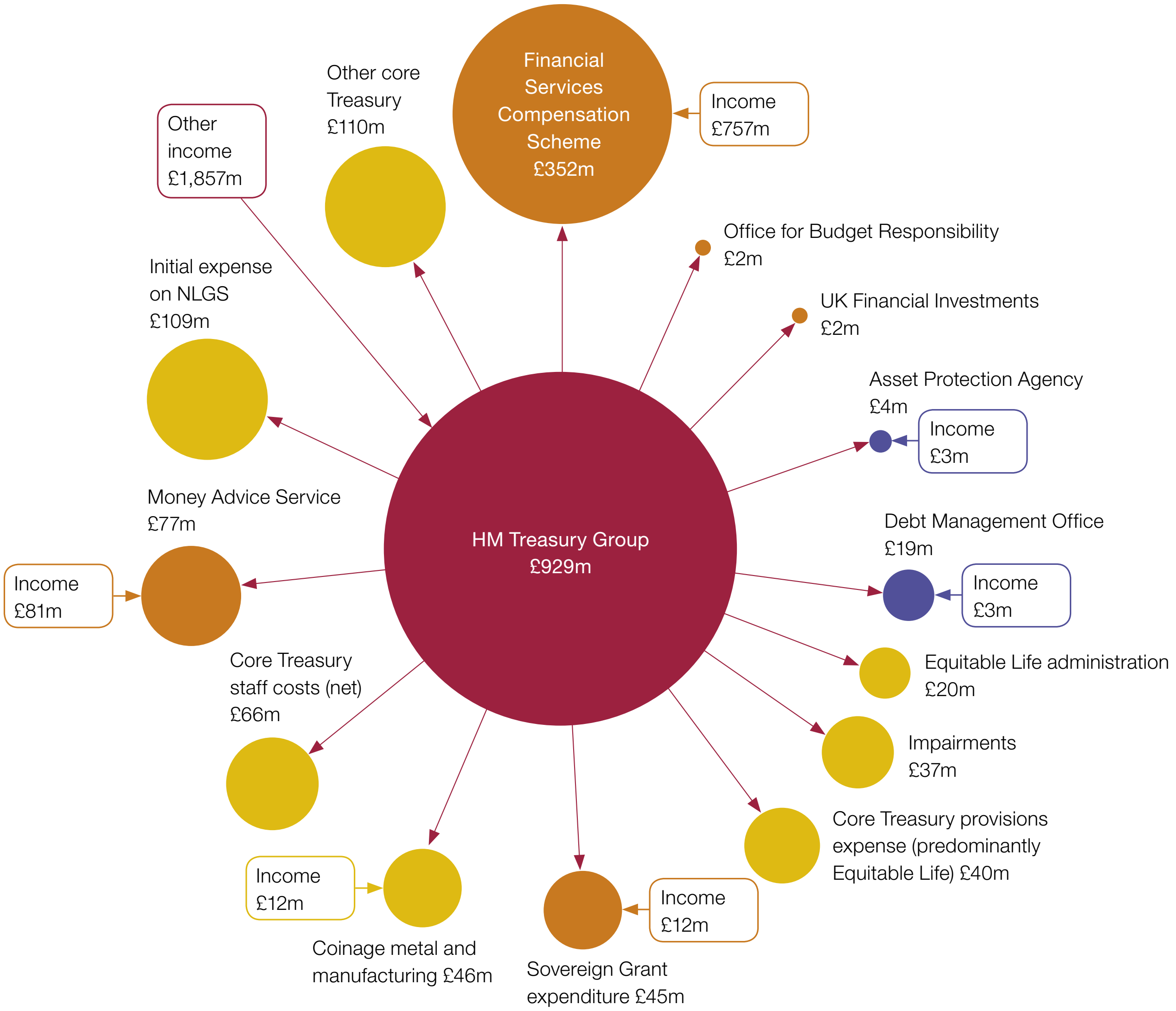
1.12 The Cabinet Office spent £510.5 million in 2012-13, making it one of the smallest spending departments (**Figure 5** on page 16). Three significant areas of expenditure (at that time all within the Efficiency and Reform Group, but now in separate organisational units) were Efficiency and Reform Group spending of £114.1 million, Government Innovation Group spending of £183.6 million, and civil service reform spending of £38.3 million.[9]

8 Core Treasury costs comprise net staff costs of £66 million, other administration costs of £82.4 million and other programme costs of £311.9 million, less costs of impairment of assets of £36.8 million and net expense on National Loan Guarantee Scheme of £108.9 million.

9 The Government Innovation Group comprises the Cabinet Office teams which develop new approaches to tackling social problems and public service delivery. It includes the civil society, transparency, behavioural insights, analysis and insight, and open policymaking teams.

Figure 4

HM Treasury Group gross departmental expenditure, 2012-13



- Core Treasury
- Agencies
- Arm's-length bodies

Notes

1 Source data for these figures come from HM Treasury, *Annual Report and Accounts 2012-13*, HC 34, July 2013.

2 This analysis is gross resource expenditure only. It excludes capital expenditure.

3 The above figures exclude transactions between entities within the Treasury group.

4 'Other core Treasury' costs mainly comprise spending on accommodation, office services, consultancy and banking and gilt registration services.

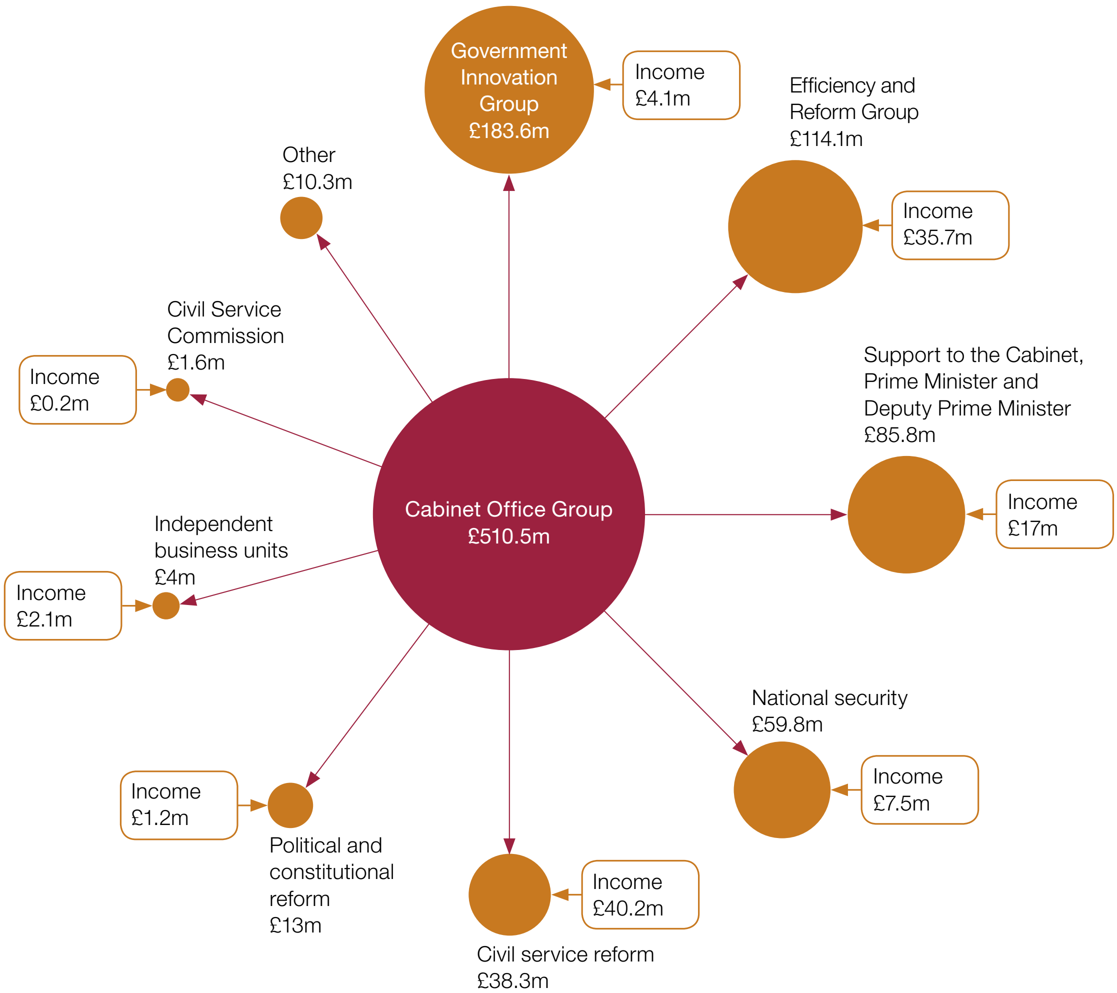
5 'Other income' includes, for example, rentals income and interest from loans. It is net of non-cash (accounting) income from changes in the fair value of financial assets (see note 9 of HM Treasury's *Annual Report and Accounts 2012-13*).

6 The initial expense on NLGS (National Loan Guarantee Scheme) of £109 million is an accounting expense recognised in 2012-13, representing the difference between the expected loss on the scheme and the expected fees to be received. This expense, should no payout by the Treasury be made on any NLGS guarantee, will be credited back as income across the life of the guarantees.

Source: National Audit Office, *Departmental Overview: The performance of HM Treasury 2012-13*, September 2013

Figure 5

Cabinet Office Group gross departmental expenditure, 2012-13



Notes

1 Source data for these figures come from Cabinet Office, *Annual Report and Accounts 2012-13*, HC 15, July 2013.

2 The expenditure figures refer to gross resource expenditure within the departmental expenditure limit.

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

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

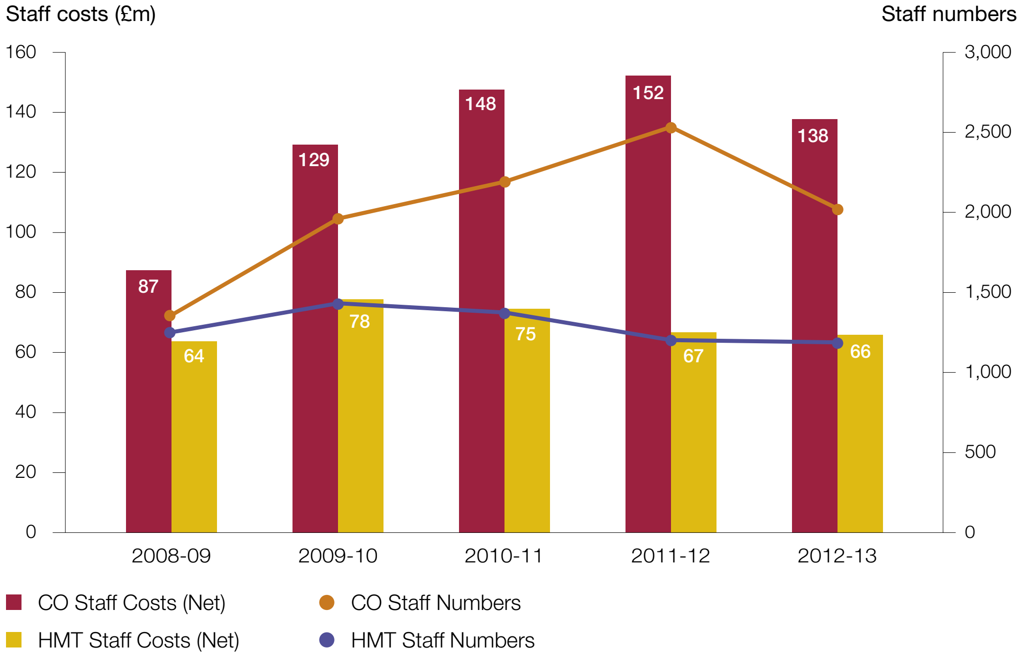
Source: National Audit Office, *Departmental Overview: The performance of the Cabinet Office 2012-13*, December 2013

Central departments: staffing

1.13 In 2012-13, core Cabinet Office staff costs amounted to £138 million and core Treasury staff costs totalled £66 million (**Figure 6**).

1.14 In line with the 2010 Spending Review, the Treasury has been seeking to reduce its headcount and staff costs. It aims to reduce its budget by 33 per cent and headcount by 25 per cent over the four years to 2014-15.[10] By 31 March 2013, the core Treasury had reduced its headcount to 1,084.[11]

Figure 6
Core Cabinet Office and HM Treasury staff costs and numbers



Cabinet Office and Treasury staff numbers are shown in the following table (average number of full-time equivalent persons employed during the year):

Year	Cabinet Office staff numbers	Treasury staff numbers
2008-09	1,359	1,252
2009-10	1,961	1,433
2010-11	2,192	1,375
2011-12	2,534	1,202
2012-13	2,023	1,188

Notes

1 Cabinet Office and Treasury staff costs and numbers are for the core department only. Prior to 2011-12, the Cabinet Office did not split out staff costs and numbers for NDPBs from staff data for the core department.

2 Staff costs are shown net of recoveries from third parties, for example for seconded staff.

Source: Data from the Cabinet Office's and HM Treasury's *Annual Report and Accounts*, 2008-09 to 2012-13

10 HM Treasury, *Spending Review 2010*, Cm 7942, October 2010, para 2.139; HM Treasury, *Capability Action Plan*, April 2012, page 5. The targets do not include the Treasury's agencies such as the Debt Management Office.

11 HM Treasury, *Annual Report and Accounts 2012-13*, Session 2013-14, HC 34, July 2013, Table 3.A.

1.15 Similarly, the 2010 Spending Review required the Cabinet Office to reduce 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 in the cost of supporting the Prime Minister.[12] The increase in staff numbers from 2008-09 to 2011-12 reflects machinery of government changes which affected the Cabinet Office's responsibilities. These included new responsibilities for the National School of Government, DirectGov, political and constitutional reform, and efficiency and reform. Overall staffing numbers fell 20 per cent from 2011-12 to 2012-13, primarily through exit packages agreed in 2011-12.[13]

1.16 In our reports we have noted the high staff turnover rates in the Treasury and the Cabinet Office, compared with the civil service average.[14] In 2010-11 and 2011-12, the turnover rate for the Cabinet Office and its agencies was 30.7 per cent.[15] In the Treasury group, turnover was 25.2 per cent and 22 per cent in 2011-12 and 2012-13 respectively.[16] Both departments believe that turnover contributes to maintaining a variety of skills and expertise as needed. However, we have reported our concerns about the risk of losing expertise and experience, which may adversely affect service quality and efficiency.[17]

1.17 Staff costs alone do not represent all Treasury and Cabinet Office resources used. Their operating models are designed to supplement lower numbers of permanent employees with expertise in particular areas by employing consultants. The Treasury employed a number of consultants to support its response to the financial crisis and ongoing financial interventions. The Cabinet Office employed consultants to help implement the Public Service Network programme and the Government Digital Strategy. In 2012-13, consultancy costs for the Cabinet Office were £6 million and for the Treasury were £12 million. Some of the Treasury's consultancy costs on financial interventions were recovered from financial institutions.[18]

1.18 Other government departments also employ staff who perform central roles on a cross-government basis. These include, for example, Home Office, Department for Work & Pensions and HM Revenue & Customs employees who provide human resources expert services as part of the government-wide civil service HR function.

12 HM Treasury, *Spending Review 2010*, Cm 7942, October 2010, para 2.144.

13 National Audit Office, *Departmental Overview: The performance of the Cabinet Office 2012-13*, December 2013, para 1.8.

14 Comptroller and Auditor General reports: *Managing budgeting in government*, Session 2012-13, HC 597, National Audit Office, October 2012, para 2.29; *Certificate and Report of the Comptroller and Auditor General on HM Treasury's Annual Report and Accounts 2012-13*, Session 2013-14, HC 34, National Audit Office, July 2013, paras 7.78–7.81; *A summary of the NAO's work on the Cabinet Office 2011-12*, National Audit Office, November 2012, paras 15, 57; *The Efficiency and Reform Group*, Session 2012-13, HC 956, April 2013, National Audit Office, paras 1.7–1.8.

15 Cabinet Office, *Annual Report and Accounts 2011-12*, HC 56, July 2012, Table 4.9. Turnover data are not reported for the core department only.

16 HM Treasury, *Annual Report and Accounts 2012-13*, HC 34, July 2013, Table 3.D. Turnover data are not reported for the core department only.

17 Comptroller and Auditor General reports: *Certificate and Report of the Comptroller and Auditor General on HM Treasury's Annual Report and Accounts 2012-13*, Session 2013-14, HC 34, July 2013, paras 7.11–7.13; *A summary of the NAO's work on the Cabinet Office 2011-12*, National Audit Office, November 2012, para 18; *Building capability in the Senior Civil Service to meet today's challenges*, Session 2013-14, HC 129, National Audit Office, June 2013, paras 1.14-1.15.

18 HM Treasury, *Annual Report and Accounts 2012-13*, HC 34, July 2013, Notes 7–8; Cabinet Office, *Annual Report and Accounts 2012-13*, HC 15, July 2013, Notes 7-8. Consultancy costs are for the core department only for both the Cabinet Office and the Treasury. Agency and temporary staff costs are included among overall staff costs.

Part Two

Recent changes to the centre of government

2.1 This part outlines the main changes to the centre of government since 2010 to structures, roles and responsibilities. We include case studies of some major central initiatives.

Changes to the centre since 2010

2.2 Since 2010, government policy has been to introduce central controls or reform programmes around strategic areas of activity (**Figure 7** overleaf). These include civil service reform, major project assurance, centralised financial controls over certain areas of spend, consistent data collection, shared services and a revised approach to government financial management. These centralised activities have been introduced alongside the existing system of departmental accountability.

2.3 The aim of introducing many of these central controls and reform programmes is to enable a coordinated government approach in certain areas. Benefits of doing so include improved efficiency from economies of scale, using collective buying power, avoiding duplication, and concentrating expertise to make it available across government. The centre can address any lack of consistency in managing strategic issues, and can help to share expertise and lessons learned across government.

2.4 Many of the changes to the centre of government in recent years have been designed to strengthen the corporate centre. This reflects the desire for the centre to have tighter control over certain activities and areas of spending. The Cabinet Office calls this 'tight-loose' (**Figure 8** on page 22), where it exercises 'tight' control in specific areas while recognising the autonomy of departments over other areas of operation (the 'loose' aspect).

2.5 The Treasury's 2013 financial management review similarly emphasised the nature of the relationship between the centre and departments. It drew an analogy with private sector companies:

> "Government can learn from the multi-divisional private sector companies, particularly the premium that is placed on building the right culture within senior management teams, strong financial leadership with clear objectives, as well as the balance of delegation and transparency between the centre and individual divisions".[19]

19 HM Treasury, *Review of financial management in government*, December 2013, p 5.

Figure 7

Key developments at the centre since 2010

May 2010

Creation of **Efficiency and Reform Group** in Cabinet Office

Introduction of ERG controls (delegated from HM Treasury) on: ICT, consultancy, advertising, marketing and communications spend; recruitment and new property leases; centralised procurement and supplier negotiations

Office of Budget Responsibility created to provide independent analysis of the UK's public finances

May 2010

General election, and subsequent formation of Conservative-Liberal Democrat coalition government

June 2010

Constitution Group formed in Cabinet Office as part of the Deputy Prime Minister's Office, to oversee political and constitutional reform

2010

October 2010

First **spending review** under the coalition government, which announced substantial cuts to departmental budgets for the period to 2014-15

Cross-government taskforce established to tackle **fraud and error**, with **debt and grants** added to its remit later

November 2010

First **departmental business plans** published, setting out how departments aimed to achieve government priorities over the following four years

2011

2011

Cabinet Office introduced **quarterly data summaries**, under which departments' spending data are published every quarter to show how government is spending taxpayers' money

March 2011

Major Projects Authority launched, with introduction of controls to ensure effective management of large government projects

Procurement reform strategy approved, setting out savings plans for central government spending on common goods and services

November 2011

First set of **Whole of Government Accounts** (for 2009-10) published, bringing together for the first time audited financial information from central government, local government, the NHS and public corporations

December 2011

Public bodies reform legislation passed to enable departments to review and reform their public bodies, in order to increase accountability and reduce spending

Source: National Audit Office

2012

2012

OSCAR (online system for central accounting and reporting) management information system launched to provide Treasury with the data needed to monitor public spending, replacing the COINS (combined online information system) database

February 2012

Implementation Unit created in the Cabinet Office to support departments in achieving the priority programmes of the Prime Minister and Deputy Prime Minister

June 2012

Civil Service Reform Plan published, outlining government's vision for a smaller and more strategic civil service, equipped with appropriate delivery skills

November 2012

Government Digital Strategy published (updated December 2013), outlining how government will redesign its digital services to encourage people to use them

2013

March 2013

First contract awarded for the **independent shared service centres** providing back-office shared services to government departments and arm's-length bodies

As part of work to create a **shared legal service** across government to provide greater functional leadership, the Treasury Solicitor's Department started merging departmental legal teams

April 2013

Central government **internal audit** service transformed into a core set of shared services (with aim of integrating into a single service, which would be an independent Treasury agency)

June 2013

One-year progress report for civil service reform published, which stressed the need to strengthen **corporate functional leadership** of back-office and expert services such as legal, internal audit and procurement services

December 2013

Treasury published its **financial management review**, proposing a stronger central role on financial leadership, the spending control framework, management information and internal audit

Figure 8

The Cabinet Office's 'tight-loose' operating model

Nature of intervention	Example intervention
Tight	**Mandatory controls** The Efficiency and Reform Group controls cover departmental spending in areas such as advertising, ICT, external recruitment, consultancy, and property. For example, national property controls require the Government Property Unit to approve any central government lease extensions.
	The Cabinet Office runs cross-government programme or project The Cabinet Office manages the performance of the outsourced providers in the two shared service centres. These provide services to 140,000 customers across government.
	Power to intervene or report to a minister Where major government projects are failing, the Major Projects Authority can escalate problems to ministers or accounting officers.
	Dual reporting to individual departments and the Cabinet Office Senior departmental HR staff have reporting lines both within their departments and to the Head of Civil Service HR.
	The Cabinet Office sponsors programme or project The Cabinet Office is responsible for specific programmes or projects but other departments carry out implementation. As part of the Digital Strategy, eight departments are making public services available online (e.g. Department for Business, Innovation & Skills for student finance applications).
	Guidance and data collection Under the transparency agenda, the Cabinet Office sets the standards for data releases and monitors departments' compliance.
	Guidance only Examples include good practice guidance and explanatory guidance on changes to policies or legislation, such as guidance on using the Public Bodies Act 2011.
Loose	**Minimal guidance** Implementing plans to reduce civil service headcount has mainly been left to departments.

Source: National Audit Office

2.6 The Treasury considers its role as a central department is strengthened by a focus on its core responsibilities as the UK's economics and finance ministry. It conducted a strategic review in 2010 which set out a blueprint for "a smaller Treasury that is focused on its core purpose, with a clearly defined work programme and effective relationships with its key partners".[20] This emphasis on the Treasury's 'core' can be seen in its deliberate move away from activities such as running specific policy areas or monitoring policy implementation, which it had done in the past through mechanisms like public service agreements. The Treasury has, however, also taken on new or enhanced roles since 2010 consistent with its core responsibilities. These include the role set out in its financial management review to provide stronger leadership of the finance function in government.[21]

Implementing central initiatives

2.7 Many of the changes to the centre set out in Figure 7 are still at an early stage. We cannot yet judge their success, particularly in achieving sustainable long-term change in how government operates. However, we can draw some initial conclusions about the specific central initiatives set out in **Figures 9** to **12** on pages 24 to 28:

- the review of financial management in government;
- civil service reform;
- Efficiency and Reform Group initiatives; and
- the Whole of Government Accounts.

2.8 The centre's recognition of the need for reform in each of these areas is a significant achievement in itself. It suggests the centre has identified and acted upon key strategic risks to government operations. Some of these reforms, including those to government financial management and the civil service, are designed to address long-standing issues. It will be several years before their impact can be clearly discerned. Other reform areas have seen some notable successes already, albeit with room for improvement. Examples include publishing consolidated financial accounts through the Whole of Government Accounts, and efficiency improvements and savings from greater central procurement and property management.

20 HM Treasury, *Capability Action Plan*, April 2012, p 2.
21 HM Treasury, *Review of financial management in government*, pp 8–9.

Figure 9

Review of financial management in government

All organisations need good financial management so they can monitor and control spending, and manage financial risks. In government, strong financial management is vital to keep within public spending plans, provide public services effectively and spend taxpayers' money wisely. The Treasury is the central department responsible for financial management across government.

Issues identified by our past reports on financial management

We reported on government financial management in *Financial management in government* (June 2013) and *Progress in improving financial management in government* (March 2011).

Since 2008, the Treasury has increased professionalism in the finance function and made some significant financial management processes more coherent. Examples include the Clear Line of Sight initiative to align and simplify financial reporting, and preparation of the Whole of Government Accounts.

However, we identified where the Treasury needs to take a stronger central role to improve government financial management further:

- The Treasury must provide more effective central leadership to help and encourage the government finance profession to confront the challenges it faces; and
- It needs to make robust and appropriate management information routinely available to support decision-making, for example unit costs of outputs, productivity measures or the value of outcomes.

What government has set out to do

In December 2013 the Treasury published the following proposals in its *Review of financial management in government*:

- **Leadership of government finance:** Creation of a new role – Director General for Spending and Finance – to lead the finance function and overall public spending across Whitehall.
- **Management information:** Invest in efforts to better understand the costs of activities and use costing and management information to inform decision-making.
- **Spending controls:** Develop a more risk-based framework for spending controls, under which departments take more responsibility for some areas of spending currently controlled by the centre. The long-term objective is to consolidate controls and central government oversight within the Treasury.
- **Internal audit:** Consolidate internal audit shared services through a single, integrated internal audit service, which will be an independent agency of the Treasury.

The Treasury started to implement the review in 2014 and appointed Julian Kelly to the new post of Director General for Spending and Finance in May 2014. He is leading the implementation of other review recommendations, supported by a new team within the Treasury.

Notes

1 NAO reports on financial management are: Comptroller and Auditor General, *Financial management in government*, Session 2013-14, HC 131, National Audit Office, June 2013; Comptroller and Auditor General, *Progress in improving financial management in government*, Session 2010-11, HC 487, National Audit Office, March 2011.

2 The Treasury's financial management review documents are: HM Treasury, *Review of financial management in government*, December 2013; HM Treasury, *Strengthening financial management capability in government*, June 2013.

Source: National Audit Office

Figure 10
Civil service reform

Civil service reform is a long-standing issue for government. Over the past 50 years, several reform initiatives have tried to adapt the civil service to the changing needs of government and citizens. The most recent reform programme was set out in the 2012 Civil Service Reform Plan. This outlined a vision of a smaller, more strategic, civil service equipped with appropriate delivery skills.

What government has set out to do

The Civil Service Reform Plan contained 18 high-level actions covering the following areas:

1 Clarifying the future size and shape of the civil service.

2 Improving policymaking capability.

3 Implementing policy and sharpening accountability.

4 Building capability by strengthening skills, deploying talent and improving organisational performance across the civil service.

5 Creating a modern employment offer for staff that encourages and rewards a productive, professional and engaged workforce.

Progress against goals

Progress on implementing reform has been slower than the Cabinet Office hoped. A year after publishing the Reform Plan, just seven of the 18 actions were on track or delivered, with the rest moderately or significantly off track. In our *Memorandum on the 2012 Civil Service Reform Plan*, we attributed the slow progress in part to delays in setting up the implementation team and appointing a Director General. Key staff on the reform programme have changed again recently, including the appointment of a new Director-General of Civil Service in December 2013.

However, the government has taken significant steps towards a reformed civil service, including:

- a strong emphasis on recruiting and developing staff with the delivery skills government needs, particularly commercial, digital and project management skills – for example, through the Major Projects Leadership Academy;
- improving leadership of corporate functions across Whitehall. This includes professional leadership of functions such as HR and finance, as well as using expert bodies to provide specialist services to departments, for example for legal services and internal audit; and
- publishing a capabilities plan for the civil service to explain how government is tackling skills gaps, and a civil service competency framework, setting out expectations for how civil servants should work.

In December 2013, the Head of the Civil Service signalled a shift away from implementing the full list of actions in the original Reform Plan. Government would focus instead on priority areas for reform, which he termed 'game changers'. These include developing digital capability, further strengthening functional leadership, and ensuring major projects are delivered on time.

Notes

1 The NAO report on civil service reform is: Comptroller and Auditor General, *Memorandum on the 2012 Civil Service Reform Plan*, Session 2012-13, HC 915, National Audit Office, January 2013.

2 The government's key civil service reform documents are: HM Government, *The Civil Service Reform Plan*, June 2012; *Civil Service Reform Plan: One Year On Report*, July 2013; *Meeting the Challenge of Change: A capabilities plan for the Civil Service*, April 2013; *Civil Service Competency Framework 2012–2017*, April 2013.

Source: National Audit Office

Figure 11

Efficiency and Reform Group initiatives

The Efficiency and Reform Group (ERG) was set up in May 2010 to tackle inefficiencies in how government carries out common functions. This case study looks briefly at the progress made on specific initiatives led by ERG (rather than the role of ERG overall, which is covered in the main body of the report). It focuses on four initiatives, which illustrate how government has centralised control over certain corporate functions:

- Procurement.
- Shared services.
- Digital government.
- Government property.

Issues identified by government

ERG's focus on improving efficiency is based on the following analysis:

- Government could improve efficiency by **centralising functions**. This would create economies of scale from government acting as one buyer, for example in procurement, property and shared back-office services such as HR and finance.
- Civil servants need to be more **commercially astute** to get the best value out of suppliers and contracts.
- Increasing the provision of **digital services** would improve service quality by making government more responsive to service users' needs and expectations.

What government has set out to do

Government has set out strategies for all four initiatives. The main actions for each initiative are set out in the following table.

Procurement	Shared services	Digital	Property
Set up a Crown Commercial Service and centralisation project to buy common items through central framework agreements Actively manage key suppliers, using buying power to make savings in contracts. Establish a Commissioning Academy to improve civil servants' commercial skills.	Set up independent shared service centres. These will contract with individual departments to provide standardised services (including HR, finance, procurement and payroll) at lower cost. Create and operate a Crown Oversight Function to work with departments to ensure service quality and cost reduction.	Establish the Government Digital Service to have overall responsibility for users' online experience with government. Bring government websites onto a single domain, GOV.UK. Make the most important transactions within government into digital services, starting with 25 'exemplar' services to be transformed by March 2015.	Introduce national property controls that require ministerial approval for lease renewals, sales and acquisitions of new properties. Establish a Government Property Unit to monitor controls and work with departments on plans to rationalise office space.

Figure 11 *continued*
Efficiency and Reform Group initiatives

Progress against goals

ERG has made good progress in some areas:

- On procurement, in 2013-14 government reported £1.5 billion of savings from centralised procurement and £1.8 billion from better management of contracts and commercial arrangements. Savings were also reported from controls on consulting and contingent labour (£1.6 billion), and advertising and marketing (£378 million).
- Government reported that it has reduced its property estate by 2 million square metres, resulting in savings of £1.2 billion from 2010 to 2013.
- On digital initiatives, government reported departments saved over £60 million in 2013-14 from closing individual websites and using the new single GOV.UK website.

It is too soon to tell if all initiatives will fully realise the expected benefits:

- On shared services, two independent shared service centres have now been set up and we reported that the overall programme is broadly on track. However, we also noted the Cabinet Office faces significant challenges in achieving expected savings from shared services, and needs to work closely with departments to realise the savings.
- As of June 2014, three digital services were currently 'live' – student loans, lasting power of attorney applications, and individual electoral registration. Another four of the 25 digital 'exemplars' were at an advanced stage, meaning the public can already access new services built around user needs. The Government Digital Service is working to transform the remaining exemplars by March 2015.

Notes

1 NAO reports on ERG include: Comptroller and Auditor General, *The Efficiency and Reform Group's role in improving public sector value for money*, Session 2010-11, HC 887, National Audit Office, March 2011; Comptroller and Auditor General, *The Efficiency and Reform Group, Session 2012-13*, HC 956, National Audit Office, April 2013. We have also published individual reports on procurement, government suppliers and contractors, shared services, Digital Britain, and government office property; see Appendix One.

2 The government's published strategies on ERG initiatives include: HM Government, *Next Generation Shared Services*: *The Strategic Plan*, December 2012; Cabinet Office, *Government Digital Strategy*, December 2013; Cabinet Office, *Government's Estate Strategy: Delivering a Modern Estate*, June 2013.

3 Government reported savings from ERG initiatives (including procurement and digital savings) in Cabinet Office, *End of year savings 2013 to 2014*: *technical note*, June 2014. Property estate reductions and savings were reported in HM Government, *The State of the Estate in 2013*, June 2014.

Source: National Audit Office

Figure 12
Whole of Government Accounts

The Whole of Government Accounts (WGA) brings together the accounts of around 3,800 organisations across the public sector. It is designed to provide a comprehensive picture of the UK public sector's financial position, including government departments, non-departmental public bodies, NHS bodies, academy schools, local government bodies and public corporations.

What government has set out to do

The government's aim in preparing a consolidated set of accounts is to increase transparency and accountability. This will help Parliament and the public to better understand and scrutinise how government has spent taxpayers' money.

Government prepares a set of consolidated accounts for each financial year. One important objective of the WGA is to provide trend data to inform decision-making. It is also intended to enable direct comparisons of financial data across public sector bodies.

Progress against goals

The government has published the WGA for the four financial years from 2009-10 to 2012-13. Both we and the Committee of Public Accounts have welcomed publication of the accounts, as it is an important way for Parliament and others to gain greater insight into the public finances and hold government to account.

However, the Comptroller and Auditor General has issued a qualified opinion on each set of accounts, for reasons including the omission of some bodies from the accounts, such as some of the publicly-owned banks, Network Rail and further education institutions. The Treasury has indicated that while Northern Rock and Bradford & Bingley will be included in the WGA from 2013-14, the remaining publicly-owned banks will continue to be excluded. The Treasury has also said it will consolidate Network Rail into the WGA from 2014-15.

We have also highlighted that the WGA needs to be produced faster if it is to be used effectively. While the 2012-13 WGA appeared more quickly than in previous years, it was still published 15 months after the financial year to which it related. The Committee also noted that, despite some progress, the public sector is still not making enough use of information in the WGA.

The Treasury aims to publish the 2014-15 WGA within nine months of the year-end. It has also accepted the Committee's recommendations in the following areas:

- making better use of the WGA to inform decisions, particularly those involving long-term liabilities;
- clarifying the differences between the National Accounts and WGA to provide a more transparent and complete picture of directly-controlled spending; and
- ensuring complete and accurate data are submitted for inclusion in the accounts..

Notes

1 The government has published the WGA for four financial years: HM Treasury, *Whole of Government Accounts: Year ended 31 March 2010*, HC 1601, November 2011; HM Treasury, *Whole of Government Accounts: Year ended 31 March 2011*, HC 687, October 2012; *HM Treasury, Whole of Government Accounts: Year ended 31 March 2012*, HC 531, July 2013; HM Treasury, *Whole of Government Accounts: Year ended 31 March 2013*, HC 93, June 2014.

2 The Comptroller and Auditor General's *Certificate and Report on the Whole of Government Accounts* is published alongside the WGA (see note 1).

3 PAC reports on WGA are: HC Committee of Public Accounts, *Whole of Government Accounts 2009-10*, Sixty-seventh Report of Session 2010–2012, HC 1696, February 2012; *Whole of Government Accounts 2010-11*, Thirty-seventh Report of Session 2012-13, HC 867, April 2013; *Whole of Government Accounts 2011-12*, Thirty-second Report of Session 2013-14, HC 667, December 2013.

Source: National Audit Office

2.9 However, implementation of some initiatives has been more difficult than expected. Some have not yet resulted in the desired outcomes. In some cases, this has been because of a lack of resources, relevant expertise or experience; for example, the staff shortages and the lack of key commercial, corporate finance and systems skills we noted in our 2013 report on the Efficiency and Reform Group.[22] In other cases, there have been tensions between the centre and departments about the centre's ability to direct or manage issues, given the authority and responsibilities granted to accounting officers. Examples include the unclear responsibilities for procurement and management of government suppliers, now that the centre exercises a high degree of oversight and control in these areas.[23] Some central reforms have been hindered by a lack of buy-in from departments, such as initial implementation of shared service centres and strategic management of debt owed to government.[24]

Sustainability of changes to the centre

2.10 In its 2014 departmental improvement plan, the Cabinet Office states it has been through – and continues to go through – substantial organisational change. This includes creating the Efficiency and Reform Group and the Crown Commercial Service. It considers it has performed well across its wide range of responsibilities, and highlights areas where it needs to improve, including:

- consistency of organisational performance across all of its functions;
- clarity of purpose and leadership; and
- planning and implementing change, particularly in improving the range and quality of evidence for measuring progress.[25]

22 Comptroller and Auditor General, *The Efficiency and Reform Group*, Session 2012-13, HC 956, National Audit Office, April 2013, para 18.

23 Comptroller and Auditor General reports: *Improving government procurement*, Session 2012-13, HC 996, National Audit Office, February 2013, paras 12–15; *Managing government suppliers*, Session 2013-14, HC 811, National Audit Office, November 2013, paras 2.23–2.24.

24 Comptroller and Auditor General reports: *Efficiency and reform in government corporate functions through shared service centres*, Session 2010–2012, HC 1790, National Audit Office, March 2012, paras 10–11; *Managing debt owed to central government*, Session 2013-14, HC 967, National Audit Office, February 2014, paras 3.10–3.11.

25 Cabinet Office, *Departmental Improvement Plan*, March 2014.

2.11 The Treasury has not yet published its departmental improvement plan. Its 2012 capability action plan and 2012-13 annual report and accounts are its most recent assessment of how it has coped with recent changes. The Treasury considers it has shown strong leadership and flexibility in responding to the significant economic challenges of recent years, particularly the financial crisis and the continuing need to reduce the deficit. The Treasury's capability action plan identified several priority areas for improvement:

- communicating its approach more effectively;
- increasing board visibility and a sense of collective ownership;
- developing and retaining staff;
- embedding effective business planning and delivery; and
- ensuring that insights from delivery are used to inform policymaking.[26]

2.12 The Cabinet Office acknowledges that while achievements have been made in, for example, improving commercial capability and management of major projects, it still needs to make progress. It also believes there are several years of work ahead for efficiency and reform initiatives to reshape government. The Cabinet Office also stresses the need for cultural change in the civil service. This will embed reforms and train the next generation, so the newer functions and ways of working embodied in recent changes become an established or 'baked-in' part of the centre's role.

2.13 The Treasury and the Cabinet Office both consider the centre has a clear mandate for action where there is alignment of purpose between them, including among ministers. This is particularly evident for the newer roles adopted since 2010, as changes to the centre will be less effective or more difficult to embed if the Cabinet Office and the Treasury have different agendas. Alignment requires the centre to work together and draw in different skills. Examples where the central departments believe this has happened in recent years include property, ICT, leadership of corporate functions and management of strategic suppliers. As responsibilities at the centre evolve, the Treasury and the Cabinet Office need to continue aligning their approaches and activities. For example, for the spending controls currently delegated to the Cabinet Office, the long-term objective is to consolidate controls and central government oversight within the Treasury. When this occurs, the Treasury will have to ensure it understands and applies the Efficiency and Reform Group's learning over the past four years in operating the controls.

26 HM Treasury, *Capability Action Plan*, April 2012; HM Treasury, *Annual Report and Accounts 2012-13*, HC 34, July 2013.

Part Three

Report findings on the centre of government

3.1 This part sets out findings on the centre of government from our reports and those of the Committee of Public Accounts (the Committee).

3.2 This summary of the reports' findings includes only those areas examined by past reports. As such, it is not intended to be a comprehensive evaluation of every aspect of the centre of government. All of the reports to which we refer date from 2011 onwards, with most published in 2013 and 2014. We have used the assessments made by the reports at the time of publication. Across this recent body of work, we can see some common themes emerging regarding how the centre operates (**Figure 13** overleaf).

Structures

Roles and responsibilities

3.3 The Cabinet Office and the Treasury form the corporate centre of government, given the Cabinet Office's role as the strategy department of government and the Treasury's finance department role.[27] In recent years, government has tried to strengthen the role of the centre in key areas. Our reports and those of the Committee have generally been positive about these initiatives. The Committee welcomed the creation of the Efficiency and Reform Group, seeing the Group's core objectives as closely aligned with the Committee's role in seeking to improve value for money. It noted the Group had made a good start in ensuring better coordination across government.[28]

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

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

Figure 13
Centre of government themes in reports

Structures

Roles and responsibilities

Is the operating model for the centre of government clearly articulated, with defined roles and responsibilities?

How effectively do the central departments work together, particularly where they have overlapping responsibilities?

Accountability

Are there defined lines of accountability setting out what the centre and departments are respectively accountable for?

How effectively is the centre able to secure accountability to Parliament for cross-cutting issues?

Strategic leadership

Leadership, strategy and objectives

Does the centre have a clear vision for how government should operate and is it demonstrating the leadership required to achieve that?

Has the centre set out clear strategies for what it wants to achieve, with defined objectives and measures against which to assess performance?

Identifying strategic risks

Is there a cross-government view of the strategic risks across government, and a process for monitoring and intervening when necessary?

Implementation

Departmental engagement

Is the centre consistent and integrated in its engagements with departments?

Is the centre credible in engaging departments – does it have an understanding of implementation issues, and of departments' own operational environments?

Incentives

How well does the centre incentivise departments to act in ways that promote overall governmental effectiveness?

Resources

Information

Does the centre have a comprehensive view of the cross-government picture, supported by reliable management information, to inform decision-making?

Does the centre have adequate information to monitor the implementation of government priorities?

Capability and skills

Does the centre have adequate capacity and capability to deliver its objectives?

Is the centre providing clear direction on the development of civil service capability and skills for the whole of government?

Source: Analysis of National Audit Office and Committee of Public Accounts reports

3.4 However, the Committee's examination of civil service reform concluded that, in general, the Cabinet Office and the Treasury are failing to act together as an effective corporate centre. It found the centre does not provide the strong strategic leadership government needs. It recommended defining a new operating model for the centre of government. This would include the centre taking more control of key corporate functions such as finance, HR and ICT, and the centre using its strategic position more effectively to ensure government joins up its thinking and learns lessons from past mistakes.[29] As noted in Figures 9 and 10, there is already work under way in these areas. The Treasury signalled in the financial management review that it will more strongly lead the government finance function, and implementation of civil service reform is seeing improved leadership of other corporate functions such as HR and legal services.

3.5 Our reports have highlighted how the Cabinet Office and the Treasury need to join up their approach, to avoid duplicating effort and send out consistent messages to departments. Our report on government cost reduction recommended that the Treasury and the Efficiency and Reform Group work together to oversee departments' progress in reducing costs, and jointly develop ways of challenging, intervening in or supporting weaker departments.[30] On debt owed to government, we found that while the Cabinet Office and the Treasury are forging stronger central roles in debt management, they need to establish how they work together coherently as a strategic centre.[31]

3.6 There are also risks to value for money from missed opportunities for the Cabinet Office and the Treasury to perform their central coordination role more effectively. This might involve identifying opportunities for more coordinated working across government, providing clear guidance and direction to departments or sharing knowledge and good practice. **Figure 14** overleaf sets out some examples from our reports where we concluded that the Cabinet Office and/or the Treasury could fulfil this role more effectively.

Accountability

3.7 Ensuring effective accountability for the use of public funds has been an important concern of the Committee, especially for devolved public services. Where public services are delivered by autonomous providers, such as foundation hospitals or academy schools, the Committee has stressed the importance of clarifying who is accountable for ensuring value for money – particularly across the whole sector.[32] The Committee's report on integration across government also said that where several organisations combine resources to deliver an integrated service, it is important to make clear who is accountable for what.[33] In its first report on accountability for public money, the Committee established several 'fundamentals of accountability' to help determine effective accountability arrangements (**Figure 15** overleaf).

29 HC Committee of Public Accounts, *Civil Service Reform*, Thirteenth Report of Session 2013-14, HC 473, September 2013.
30 Comptroller and Auditor General, *Cost reduction in central government: summary of progress*, Session 2010–2012, HC 1788, National Audit Office, February 2012.
31 Comptroller and Auditor General, *Managing debt owed to central government*, Session 2013-14, HC 967, National Audit Office, February 2014.
32 HC Committee of Public Accounts, *Accountability for public money*, Twenty-eighth Report of Session 2010-11, HC 740, April 2011.
33 HC Committee of Public Accounts, *Integration across government and Whole-Place Community Budgets*, Fourteenth Report of Session 2013-14, HC 472, September 2013.

Figure 14

Examples of report findings on the centre's coordination role

Integration across government (NAO, March 2013): The centre of government does not have clearly defined responsibilities to support better coordination of public services or other government activities. The Cabinet Office and the Treasury should more strongly sponsor integration efforts across government, including by using budgetary and business planning processes to identify opportunities for greater integration.

Managing the risks of legacy ICT to public service delivery (NAO, September 2013): There is demand across government for the Cabinet Office to do more to support public bodies in dealing with legacy ICT issues, for example by sharing knowledge and offering practical advice.

Managing budgeting in government (NAO, October 2012): The centre of government could play a greater role in helping departments to learn from others' experiences of good budgeting practices, such as innovative methods of internal challenge and strengthened links between performance and spending.

Forecasting in government to achieve value for money (NAO, January 2014): The centre of government needs to collaborate more than it has to date to encourage good forecasting. The Treasury, the Cabinet Office and the Finance Leadership Group will have to work together and coordinate activity to deliver an improvement in how forecasting is used in government.

Source: See Appendix One

Figure 15

Committee of Public Accounts' fundamentals of accountability

The accounting officer is personally and ultimately responsible to Parliament for the spending of taxpayers' money and must be unfettered in the discharge of these responsibilities.

Where a department provides funding to other bodies, the accounting officer is responsible for ensuring that there is an appropriate framework in place to provide him/her with the necessary assurances and controls.

Responsibilities and authority for policy and operational decisions are clear throughout the delivery chain.

There is a clear process for measuring outcomes, evaluating performance and demonstrating value for money, which allows organisations to be held to public account and which enables proper comparisons to be made across organisations delivering the same or similar services.

All bodies which receive public funds are well governed and have robust financial management arrangements in place.

Source: Committee of Public Accounts, *Accountability for public money* (see Appendix One)

3.8 The centre of government has a role to monitor and provide guidance on the accountability arrangements for devolved services. The Committee's progress report on accountability for public money considered the government's accountability system statements. These are designed to explain how government gains assurance about the probity and value for money of the way devolved services use their funds. The Committee recommended that the Treasury take the lead for providing guidance for the accountability system statements and monitoring how they work in practice.[34] The Committee welcomed the greater transparency brought about by the system statements. However, its various reports on devolved delivery in education and children's services, local transport and health showed that many aspects of accountability remained unclear. To provide the assurance needed, government must explain its accountability arrangements in more detail, including clarifying the responsibilities of the bodies involved, failure regimes, and reporting and information flows.[35]

3.9 The Committee's fundamentals of accountability apply more widely to the centre of government's relationship with departments. The Committee has raised concerns about the centre's ability to ensure accountability to Parliament for cross-cutting issues affecting a number of departments. Accountability for securing value for money can also be unclear where the centre takes responsibility for some functions that departments would otherwise carry out. **Figure 16** overleaf outlines some of our and the Committee's report findings that illustrate these concerns.

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

35 See, for example, HC Committee of Public Accounts reports on: *Funding for local transport: an overview*, Twenty-fifth Report of Session 2012-13, HC 747, February 2013; *Managing the expansion of the Academies Programme*, Forty-first Report of Session 2012-13, HC 787, April 2013; *The Franchising of Hinchingbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust*, Twenty-eighth Report of Session 2012-13, HC 789, February 2013; *Securing the future financial stability of the NHS*, Sixteenth Report of Session 2012-13, HC 389, October 2012; *Accountability and oversight of education and children's services*, Eighty-second Report of Session 2010–2012, HC 1957, May 2012; *The free entitlement to education for three and four year olds*, Eighty-sixth Report of Session 2010–2012, HC 1893, May 2012; *Oversight of special education for young people aged 16–25*, Seventieth Report of Session 2010–2012, HC 1636, February 2012; *Transforming NHS ambulance services*, Forty-sixth Report of Session 2010–2012, HC 1353, September 2011; *National Health Service Landscape Review*, Thirty-third Report of Session 2010–2012, HC 764, April 2011.

Figure 16

Examples of report findings on accountability

Confidentiality clauses and special severance payments (PAC, January 2014): The Committee expressed concern about the use of compromise agreements to terminate employment contracts in the public sector, particularly the lack of transparency, oversight and accountability over their use. The report requested the Treasury and the Cabinet Office develop a framework which would allow Parliament to hold government properly to account for the use of compromise agreements and special severance payments.

Progress on public bodies reform (NAO, February 2014): We noted that reforms to arm's-length public bodies would change accountability for public spending significantly, by bringing functions closer to elected representatives (e.g. under a department or local government). However, it also observed that bringing functions into departments may make it more difficult for Parliament to identify and hold to account officials who manage those functions.

The Efficiency and Reform Group (NAO, April 2013): The Committee of Public Accounts, while supportive of ERG, expressed concern that its role potentially conflicts with Accounting Officers' personal responsibility to Parliament for securing value for money. In July 2012, ministers announced that the ERG controls first introduced in 2010 would be permanent. ERG issued revised guidance to departments advising that disagreements with ERG decisions should be treated in a similar way to the long-standing arrangements that apply when Accounting Officers disagree with ministers' decisions. Treasury guidance to accounting officers also stresses that their responsibility for ensuring value for money is firstly to the Crown rather than to their department.

Managing government suppliers (NAO, November 2013): We noted that central oversight and control, such as interventions through the controls process and management of supplier relationships, challenges existing accountability structures. Departments and suppliers have been unclear about where accountability lies, which has placed a strain on some relationships.

Source: See Appendix One

Strategic leadership

Leadership

3.10 The centre of government has recognised the need for strong central direction in some areas, and has taken more visible leadership of some cross-government programmes. The Efficiency and Reform Group (ERG) is a significant example of where leadership from the centre has made a clear difference. The Minister for the Cabinet Office has provided strong support to ERG's activities, and the requirement for departments to cut costs continues to supply a distinct logic for its activities.[36] Also, the centre has created posts to provide cross-government leadership of some corporate functions and professions. Examples include the Chief Operating Officer for government, the Chief Procurement Officer in ERG, and the newly-created Director General for Public Spending and Finance post in the Treasury to support better financial management across government.

36 Comptroller and Auditor General, *The Efficiency and Reform Group*, Session 2012-13, HC 956, National Audit Office, April 2013.

3.11 However, we and the Committee have highlighted that government needs stronger central leadership in some areas to bring about the sustained change to government operations called for in the Committee's 2011 report on ERG.[37] Our civil service reform report also stressed the need for more strategic leadership and coordination from the centre where a corporate approach would help provide value for money. It noted a tendency for the Cabinet Office and the Treasury to work separately, which undermined their ability to act as a strong corporate centre for the rest of government.[38] **Figure 17** contains examples of our and the Committee's findings on central leadership, which illustrate how the centre has successfully led some initiatives and areas where it could improve leadership of others.

Figure 17
Examples of report findings on leadership

Digital Britain 2 (NAO, March 2013): The Government Digital Service had established firm leadership of the digital agenda, including through improving the Cabinet Office's digital capacity, establishing digital leaders in departments, and creating the GOV.UK website to enable a single point of entry to online public services.

Improving government procurement and the impact of government's ICT savings initiatives (PAC, September 2013): The Committee welcomed the leadership shown by the Cabinet Office and Government Procurement Service in introducing reforms to centralise procurement and ICT spending controls, although it highlighted weaknesses that still needed to be addressed in accountability arrangements and management information.

Efficiency and reform in government corporate functions through shared service centres (PAC, July 2012)/**Update on the Next Generation Shared Services strategy** (NAO, March 2014): The Committee's 2012 shared services report concluded that historically the Cabinet Office had not provided the strong leadership required to get buy-in from individual departments. This meant the first shared service centres ended up with fewer users than anticipated and did not deliver the expected economies of scale. Our shared services update report, which examined the Next Generation Shared Services strategy, noted that maintaining clear leadership was still a significant challenge for the Cabinet Office – especially as it assumes its new role for delivering the shared services programme for the benefit of government as a whole.

Integration across government (NAO, March 2013): The Cabinet Office and the Treasury should improve their 'sponsorship' of integration efforts across government. The centre of government should more strongly lead integration efforts, address any lack of coherence and send a clear signal about the importance of integration.

Source: See Appendix One

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

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

Strategy and objectives

3.12 Several of our and the Committee's reports have commented on the clarity of the centre's priorities, strategies and objectives. We set out some examples in **Figure 18**. For the Cabinet Office, ERG savings have been a priority and the focus on achieving ambitious efficiency savings has been unambiguous. In many individual areas within ERG's remit, priorities and objectives have been well-defined; examples include the procurement and shared services strategies. However, some areas of its work have less definite plans for achieving government's savings ambitions, including debt owed to government. Our reports have also noted the need for clearer success measures for central initiatives.

Identifying strategic risks

3.13 One benefit of having an effective centre is being able to look across government and identify key risks to government achieving its priorities. The Treasury, for instance, needs to be aware of strategic risks that affect the government's finances. The Treasury has made some financial management processes more coherent, such as combining government's financial reporting into the Whole of Government Accounts. This offers the opportunity to look across all of government activity and identify trends and risks that could have significant impacts on public spending.[39] As well as risks to value for money, the centre has a role in identifying other strategic risks such as reputational risk and risks to delivery, including those affecting service users. For example, our report on major contractors noted that one area to be explored further is whether the rapid growth of large contractors poses risks to public services.[40]

3.14 Our reports have noted how some parts of the centre are doing a good job in monitoring and understanding risks within departments, such as on major projects assurance. Other reports have highlighted where there are gaps (**Figure 19** outlines some examples).

39 HC Committee of Public Accounts, *Whole of Government Accounts 2011-12*, Thirty-second Report of Session 2013-14, HC 667, December 2013; *Whole of Government Accounts 2010-11*, Thirty-seventh Report of Session 2012-13, HC 867, April 2013; *Whole of Government Accounts 2009-10*, Sixty-seventh Report of Session 2010–2012, HC 1696, February 2012.

40 Comptroller and Auditor General, *The role of major contractors in the delivery of public services*, Session 2013-14, HC 810, National Audit Office, November 2013.

Figure 18

Examples of report findings on strategy and objectives

Improving government procurement (NAO, February 2013): We concluded that the current procurement strategy is the most coherent approach to date, providing a clear mandate for departments to use central contracts.

Update on the Next Generation Shared Services strategy (NAO, March 2014): Our update report on shared services noted there were positive signs that the Cabinet Office was taking more ownership and giving more attention to the efficiencies that can be gained from sharing back-office functions, including through the publication of the 2012 Next Generation Shared Services strategy.

Managing debt owed to central government (NAO, February 2014): Government has not published an overall strategy for its debt management, or clearly articulated its appetite for holding debt.

Civil service reform (PAC, September 2013): Government needs to be more specific about the outcomes and improvements it expects from civil service reform, including by setting out robust, data-driven performance and outcome measures against which to judge success.

Source: See Appendix One

Figure 19

Examples of report findings on strategic risks

Assurance for major projects (NAO, May 2012)**/Major Projects Authority Annual Report 2012-13 and government project assurance** (NAO, February 2014): Our 2012 major projects assurance report found the Major Projects Authority's reviews were more exacting than under the previous system, which enabled it to identify risks to public money earlier. Our update report noted the Major Projects Authority had introduced a new project validation review, which will allow it to better identify potential risks early enough to challenge departments about whether they are choosing the right option to achieve their objectives.

Managing government suppliers (NAO, November 2013): The Cabinet Office has developed a system of strategic supplier performance management, which collates performance information from departments, agrees overall supplier performance ratings and formally designates poor performers as 'high risk'. It also collects management information on strategic suppliers to inform its understanding of activity across government.

The Efficiency and Reform Group (NAO, April 2013): ERG began developing a risk register in 2012 to monitor delivery risks, but this is not well-developed, particularly in relation to assessing the impact of ERG's activities on public services.

Confidentiality clauses and special severance payments (PAC, January 2014): The lack of oversight by central government has led to inconsistencies in the use of compromise agreements to terminate employment contracts, with no one looking for trends that might provide early warnings of service failures.

Source: See Appendix One

Implementation

Departmental engagement

3.15 The Cabinet Office's and the Treasury's relationships with departments are crucial to their effective functioning as the strategic centre of government. Good relations help the centre to ensure departments implement key central programmes to achieve expected benefits. The centre also monitors how departments contribute to overall government goals and priorities, and encourages them to follow consistent approaches where appropriate.

3.16 The centre has accordingly put significant effort into developing and maintaining good departmental relations. The Treasury has improved at clarifying departments' roles and responsibilities when delivering major events such as spending reviews and budgets. The Efficiency and Reform Group has tried to improve how it engages with departments, for example through issuing clearer guidance to departments and appointing a senior departmental liaison staff member.[41] Nevertheless, we have seen common issues in relationships between the centre and departments (**Figure 20**), including:

- **Poor or inconsistent central engagement with departments,** which has hindered effective government working and efforts to achieve greater efficiency.
- **Lack of clarity in the roles of the centre and departments,** which can hinder effective working relations. This is partly because the 'tight-loose' framework for centre-department relations does not specify how the centre should engage with departments in different areas.
- **Overlapping functions of central departments,** which can lead to confusing or inconsistent central requirements to line departments. For example, both the Treasury and the Cabinet Office ask departments to provide spending data, but their separate data systems are not coordinated or consistent (see 'Information' section at paragraphs 3.18-3.19).[42]
- **Difficulties getting departmental buy-in for some central initiatives.** This can arise if the centre is unable to persuade departments of the benefits to them of central initiatives.

Figure 20

Examples of report findings on the centre's engagement with departments

The Efficiency and Reform Group (NAO, April 2013): We noted that ERG had sought to improve its relationships with departments by issuing clearer guidance on its controls and their interaction with the Treasury's, and appointing a senior staff member to oversee its relationships with departments. The Treasury and ERG met jointly with departments to discuss possible savings for the 2015-16 spending round.

Managing budgeting in government (NAO, October 2012): Treasury spending teams made valuable contributions to tighter departmental budgets, but their approaches to challenging departments' spending lacked consistency and their capacity could be strengthened.

Managing debt owed to central government (NAO, February 2014): The Cabinet Office engaged closely with departments in developing the debt 'market integrator' proposal, which would provide a single point for departments to access private sector debt collection services. However, progress was hampered by difficulties in getting good data, persuading some departments of the proposed integrator's benefits, and agreeing with them the details of the scheme's design.

Improving government procurement (NAO, February 2013): Departments have raised concerns about the inconsistency of central contract management across the categories of common goods, and the quality of customer service. Roles and responsibilities for day-to-day contract management are unclear.

Source: See Appendix One

41 Comptroller and Auditor General, *The Efficiency and Reform Group,* Session 2012-13, HC 956, National Audit Office, April 2013.

42 Comptroller and Auditor General reports: *Financial management in government*, Session 2013-14, HC 131, National Audit Office, June 2013; *Cost reduction in central government: summary of progress*, Session 2010–2012, HC 1788, National Audit Office, February 2012.

Incentives

3.17 Given its strategic position, the centre of government has a role in providing incentives for departments to act in ways that promote value for money and overall governmental effectiveness. One important means through which the centre can influence departmental behaviour is through financial incentives provided by funding and spending mechanisms. While there are some examples of these being used effectively, our reports have also found missed opportunities to encourage departments to work more collaboratively or take a long-term perspective (**Figure 21**).

Resources

Information

3.18 The centre needs good information from departments to monitor implementation of the government's priorities and programmes, understand how well departments are performing, and identify strategic risks to value for money. Good information enables the centre to get a view of the cross-government picture, allowing it to spot opportunities for innovation and more integrated working. In many areas, efforts by the centre of government and departments have improved the management information available, such as on major projects, ICT spending and the performance of major suppliers.

Figure 21

Examples of report findings on incentives

Managing debt owed to central government (NAO, February 2014): The Treasury has acted to improve financial incentives for the Department for Work & Pensions (DWP) to recover debt from benefit overpayments. It has agreed a funding approach under which DWP can retain a proportion of the benefit debt it recovers beyond specified targets, instead of returning it all to the Treasury.

Managing budgeting in government (NAO, October 2012)/**Early action landscape review** (NAO, January 2013): The UK's budgetary system does not incentivise departments to collaborate. Instead, it encourages departments to bid for funds based on their specific needs, and does not support cross-government working to tackle issues not falling neatly into the remit of one department. Our early action report noted that the budgetary process as a whole did not have enough focus on the long term, and recommended changes to the government's budgetary system to support and incentivise departments to achieve value for money in allocating resources over the medium to long term.

Integration across government and Whole-Place Community Budgets (PAC, September 2013): Current funding rules and mechanisms can act as barriers to coordinated working. The Committee recommended that the Treasury improve financial incentives for integrated working by initiating multi-year funding agreements, aligning funding periods for different bodies, and creating mechanisms to share the financial benefits of coordinated working.

Improving the efficiency of central government office property (NAO, March 2012): As each department manages its own budget and properties separately, there are not always adequate incentives to manage their property assets collectively.

Source: See Appendix One

3.19 However, our reports have highlighted the difficulties the Cabinet Office and the Treasury have had in collating good-quality information from departments (some examples are in **Figure 22**). We have also reported on issues with:

- **Lack of coordination between the Cabinet Office's and the Treasury's separate management information systems and data requests to departments.** Our government financial management report found that the Cabinet Office's processes for producing spending data through its quarterly data summaries are not linked directly to the Treasury's reporting requirements under OSCAR (online system for central accounting and reporting).[43] Our cost reduction report called for greater consistency in the information central departments require.[44]
- **The use of cross-government data to inform priorities and decision-making.** Our government budgeting report found that data needed to inform decision-makers on optimal resource allocation was not readily available, and in some cases did not exist.[45] Similarly, our government financial management report concluded that government is still a long way from ensuring decision-making is routinely based on appropriate and robust management information. Unit cost data, for example, were not systematically collected across government. Where efforts had been made to gather such data (such as the 2010 Spending Review), data were limited and inconsistent.[46]

Capability and skills

The centre's capability

3.20 Some of our reports have expressed concern about the centre's ability to resource its activities with appropriately skilled people, particularly in a sustainable manner (**Figure 23**). The Cabinet Office's capability issues largely relate to the efficiency and reform activities it now performs. The Treasury has faced capability issues as it has taken on additional financial sector support functions in recent years. In response to a request from the Committee to conduct a 'lessons learned' exercise, the Treasury carried out a Financial Crisis Management Review and has taken action to address financial services capability issues.[47]

43 Comptroller and Auditor General, *Financial management in government*, Session 2013-14, HC 131, National Audit Office, June 2013.
44 Comptroller and Auditor General, *Cost reduction in central government: summary of progress*, Session 2010–2012, HC 1788, National Audit Office, February 2012.
45 Comptroller and Auditor General, *Managing budgeting in government*, Session 2012-13, HC 597, National Audit Office, October 2012.
46 Comptroller and Auditor General, *Financial management in government*, Session 2013-14, HC 131, National Audit Office, June 2013.
47 HM Treasury, *Review of HM Treasury's management response to the financial crisis*, March 2012.

Figure 22
Examples of report findings on information quality

Forecasting in government to achieve value for money (NAO, January 2014): Our report reviewed the Treasury's system for monitoring departmental spending forecasts and outturns, OSCAR (online system for central accounting and reporting). While OSCAR has greater functionality than its predecessor, we noted that data are collected at different levels of detail by departments, hindering comparisons; and that data are reported at a level that does not help teams identify volatility at project level.

Assurance for major projects (NAO, May 2012; PAC, October 2012)**/Major Projects Authority Annual Report 2012-13 and government project assurance** (NAO, February 2014): The creation of the Major Projects Authority has contributed to some significant impacts, such as improved data on government's major projects. Our update report noted that government had increased transparent reporting by making major projects data publicly available through its first annual report in May 2013. However, the report also concluded that the Authority needed to present more useful and comprehensive data in the annual report.

The Committee concluded that the Treasury was not making best use of the data on major projects that is now available to manage the government's financial position. Our update report noted the Treasury now sometimes uses major projects portfolio data in decisions on departmental spend requests above delegated limits.

Progress on public bodies reform (NAO, February 2014): The Cabinet Office has not established a good baseline from which to track the non-financial effects of the public bodies reform programme. Some departments have not engaged sufficiently well with the process, and returns to the Cabinet Office have been late and inconsistent.

Improving government procurement (NAO, February 2013): The Cabinet Office has improved data management systems, and now has a firmer grip of procurement expenditure. However, gaps and inconsistencies remain in data management systems at the centre of government. The way in which departments report procurement data to the centre is inconsistent, particularly data relating to arm's-length bodies.

Source: See Appendix One

Figure 23
Examples of report findings on the centre's capability

C&AG's report on HM Treasury's annual report and accounts 2012-13 (NAO, July 2013): In dealing with Northern Rock and subsequent events, the Treasury had to respond very quickly and the availability of people with relevant skills and experience was severely stretched. The report noted the Financial Crisis Management Review's conclusion that the Treasury needed to improve its staff management and retention to ensure that the necessary capability would be in place for future events.

Managing budgeting in government (NAO, October 2012): Our report found that the Treasury's departmental spending teams were relatively small and suffered high staff turnover. Spending teams varied in the extent of their experience, skills base and knowledge of their departments.

The Efficiency and Reform Group Group (NAO, April 2013): ERG faces staff shortages and a lack of key skills in some areas, particularly staff with commercial, corporate finance and systems skills and experience.

Assurance for major projects (NAO, May 2012)**/Major Projects Authority Annual Report 2012-13 and government project assurance** (NAO, February 2014): Our report on major projects assurance found the Major Projects Authority did not have sufficient resources to carry out its role to best effect: the Authority was reporting on 160 more projects than in the past, and in greater depth, but had 40 per cent fewer staff than the body it replaced. Subsequently, our update report found that the Authority was increasing staffing by around a half to help it achieve improvements in project assurance.

Source: See Appendix One

Wider civil service capability

3.21 The centre of government has a broader responsibility to oversee the development of capability and skills across the whole of government. The Cabinet Office has lead responsibility for increasing civil service capability, although departments are responsible for identifying and meeting the skills needs of individual staff. The Civil Service Reform Plan set out the government's vision for improving civil service skills, so civil servants can adapt to the changing demands of government (see the civil service reform case study in Figure 10).[48] The government also published a five-year capabilities plan and new civil service competency framework to support civil service reform implementation. Our report on civil service reform acknowledged that government has recognised its capability gaps in commercial skills, project management, digital delivery and change leadership. It also noted government's efforts to tackle these – for example through the Major Project Authority's leadership academy to help build skills of senior project leaders.[49]

3.22 The Treasury is responsible for increasing financial skills and capability across government. It set out various measures in its December 2013 financial management review (see the financial management case study in Figure 9). The review's proposals address some of the issues we have found in our government financial management reports. These concluded that government lacks skills associated with effective financial management. However, our financial management reports also recognised the Treasury has driven increased finance professionalism, with all government finance teams now led by qualified finance professionals.[50]

3.23 Other civil service capability issues have yet to be addressed. Our government skills requirements report noted the Cabinet Office needs to ensure skilled staff are deployed where needed across departmental boundaries.[51] Our senior civil service report concluded that while government accepts there are significant skills gaps (particularly in commercial, project management, digital and change leadership skills), there are still no reliable data on the skills, professional qualifications and experience of the senior civil service as a whole.[52]

48 HM Government, *The Civil Service Reform Plan*, June 2012.
49 Comptroller and Auditor General, *Memorandum on the 2012 Civil Service Reform Plan*, Session 2012-13, HC 915, National Audit Office, January 2013.
50 Comptroller and Auditor General reports: *Financial management in government*, Session 2013-14, HC 131, National Audit Office, June 2013; *Progress in improving financial management in government*, Session 2010-11, HC 487, National Audit Office, March 2011.
51 Comptroller and Auditor General, *Identifying and meeting central government's skills requirements*, Session 2010–2012, HC 1276, National Audit Office, July 2011.
52 Comptroller and Auditor General, *Building capability in the Senior Civil Service to meet today's challenges*, Session 2013-14, HC 129, National Audit Office, June 2013.

Appendix One

Reports on the centre of government

1 This Appendix lists our reports and those of the Committee of Public Accounts that contain findings on the centre of government. It is organised according to the themes set out in Part Three (see Figure 13), and includes reports mentioned in Part Three as well as other reports with findings relevant to each theme.

Structures

Roles and responsibilities				
Committee of Public Accounts	The Efficiency and Reform Group's role in improving public sector value for money	Forty-ninth Report of Session 2010–2012	HC 1352	October 2011
Comptroller and Auditor General	Cost reduction in central government: summary of progress	Session 2010–2012	HC 1788	February 2012
Committee of Public Accounts	Reorganising central government bodies	Seventy-seventh Report of Session 2010–2012	HC 1802	April 2012
Comptroller and Auditor General	Managing budgeting in government	Session 2012-13	HC 597	October 2012
Comptroller and Auditor General	Early action: landscape review	Session 2012-13	HC 683	January 2013
Comptroller and Auditor General	Memorandum on the 2012 Civil Service Reform Plan	Session 2012-13	HC 915	January 2013
Comptroller and Auditor General	Integration across government	Session 2012-13	HC 1041	March 2013
Comptroller and Auditor General	Charges for customer telephone lines	Session 2013-14	HC 541	July 2013
Committee of Public Accounts	Civil Service Reform	Thirteenth Report of Session 2013-14	HC 473	September 2013
Comptroller and Auditor General	Managing the risks of legacy ICT to public service delivery	Session 2013-14	HC 539	September 2013
Committee of Public Accounts	Confidentiality clauses and special severance payments	Thirty-sixth Report of Session 2013-14	HC 477	January 2014
Comptroller and Auditor General	Forecasting in government to achieve value for money	Session 2013-14	HC 969	January 2014
Comptroller and Auditor General	Managing debt owed to central government	Session 2013-14	HC 967	February 2014

Accountability

Committee of Public Accounts	Accountability for public money	Twenty-eighth Report of Session 2010-11	HC 740	April 2011
Committee of Public Accounts	The Efficiency and Reform Group's role in improving public sector value for money	Forty-ninth Report of Session 2010–2012	HC 1352	October 2011
Committee of Public Accounts	National Health Service Landscape Review	Thirty-third Report of Session 2010–2012	HC 764	April 2011
Committee of Public Accounts	Transforming NHS ambulance services	Forty-sixth Report of Session 2010–2012	HC 1353	September 2011
Committee of Public Accounts	Oversight of special education for young people aged 16–25	Seventieth Report of Session 2010–2012	HC 1636	February 2012
Committee of Public Accounts	Accountability for public money – progress report	Seventy-ninth Report of Session 2010–2012	HC 1503	April 2012
Committee of Public Accounts	Accountability and oversight of education and children's services	Eighty-second Report of Session 2010–2012	HC 1957	May 2012
Committee of Public Accounts	The free entitlement to education for three- and four-year-olds	Eighty-sixth Report of Session 2010–2012	HC 1893	May 2012
Committee of Public Accounts	Securing the future financial stability of the NHS	Sixteenth Report of Session 2012-13	HC 389	October 2012
Committee of Public Accounts	Funding for local transport: an overview	Twenty-fifth Report of Session 2012-13	HC 747	February 2013
Committee of Public Accounts	The Franchising of Hinchingbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust	Twenty-eighth Report of Session 2012-13	HC 789	February 2013
Committee of Public Accounts	Managing the expansion of the Academies Programme	Forty-first Report of Session 2012-13	HC 787	April 2013
Comptroller and Auditor General	The Efficiency and Reform Group	Session 2012-13	HC 956	April 2013
Committee of Public Accounts	Improving government procurement and the impact of government's ICT savings initiatives	Sixth Report of Session 2013-14	HC 137	September 2013
Committee of Public Accounts	Integration across government and Whole-Place Community Budgets	Fourteenth Report of Session 2013-14	HC 472	September 2013
Comptroller and Auditor General	Managing government suppliers	Session 2013-14	HC 811	November 2013
Committee of Public Accounts	Confidentiality clauses and special severance payments	Thirty-sixth Report of Session 2013-14	HC 477	January 2014
Comptroller and Auditor General	Progress on public bodies reform	Session 2013-14	HC 1048	February 2014
Comptroller and Auditor General	Update on the Next Generation Shared Services strategy	Session 2013-14	HC 1101	March 2014

Strategic leadership

Leadership				
Committee of Public Accounts	The Efficiency and Reform Group's role in improving public sector value for money	Forty-ninth Report of Session 2010–2012	HC 1352	October 2011
Committee of Public Accounts	Efficiency and reform in government corporate functions through shared service centres	Third Report of Session 2012-13	HC 463	July 2012
Committee of Public Accounts	Improving the efficiency of central government office property	Eleventh Report of Session 2012-13	HC 288	August 2012
Comptroller and Auditor General	Memorandum on the 2012 Civil Service Reform Plan	Session 2012-13	HC 915	January 2013
Comptroller and Auditor General	Digital Britain 2: Putting users at the heart of government's digital services	Session 2012-13	HC 1048	March 2013
Comptroller and Auditor General	Integration across government	Session 2012-13	HC 1041	March 2013
Comptroller and Auditor General	The Efficiency and Reform Group	Session 2012-13	HC 956	April 2013
Comptroller and Auditor General	Financial management in government	Session 2013-14	HC 131	June 2013
Committee of Public Accounts	Improving government procurement and the impact of government's ICT savings initiatives	Sixth Report of Session 2013-14	HC 137	September 2013
Comptroller and Auditor General	Managing debt owed to central government	Session 2013-14	HC 967	February 2014
Comptroller and Auditor General	Update on the Next Generation Shared Services strategy	Session 2013-14	HC 1101	March 2014
Strategy and objectives				
Committee of Public Accounts	Information and Communications Technology in government	Fortieth Report of Session 2010–2012	HC 1050	July 2011
Comptroller and Auditor General	Digital Britain One: Shared infrastructure and services for government online	Session 2010–2012	HC 1589	December 2011
Comptroller and Auditor General	Efficiency and reform in government corporate functions through shared service centres	Session 2010–2012	HC 1790	March 2012
Comptroller and Auditor General	Improving the efficiency of central government office property	Session 2010–2012	HC 1826	March 2012
Comptroller and Auditor General	Managing budgeting in government	Session 2012-13	HC 597	October 2012

Strategy and objectives *continued*				
Comptroller and Auditor General	Improving government procurement	Session 2012-13	HC 996	February 2013
Comptroller and Auditor General	The Efficiency and Reform Group	Session 2012-13	HC 956	April 2013
Committee of Public Accounts	Civil Service Reform	Thirteenth Report of Session 2013-14	HC 473	September 2013
Comptroller and Auditor General	Managing debt owed to central government	Session 2013-14	HC 967	February 2014
Comptroller and Auditor General	Progress on public bodies reform	Session 2013-14	HC 1048	February 2014
Comptroller and Auditor General	Update on the Next Generation Shared Services strategy	Session 2013-14	HC 1101	March 2014
Identifying strategic risks				
Comptroller and Auditor General	Managing staff costs in central government	Session 2010-11	HC 818	March 2011
Committee of Public Accounts	Whole of Government Accounts 2009-10	Sixty-seventh Report of Session 2010–2012	HC 1696	February 2012
Comptroller and Auditor General	The Government Procurement Card	Session 2010–2012	HC 1828	March 2012
Comptroller and Auditor General	Assurance for major projects	Session 2010–2012	HC 1698	May 2012
Comptroller and Auditor General	The impact of government's ICT savings initiatives	Session 2012-13	HC 887	January 2013
Comptroller and Auditor General	The Efficiency and Reform Group	Session 2012-13	HC 956	April 2013
Committee of Public Accounts	Whole of Government Accounts 2010-11	Thirty-seventh Report of Session 2012-13	HC 867	April 2013
Comptroller and Auditor General	Managing government suppliers	Session 2013-14	HC 811	November 2013
Comptroller and Auditor General	The role of major contractors in the delivery of public services	Session 2013-14	HC 810	November 2013
Committee of Public Accounts	Whole of Government Accounts 2011-12	Thirty-second Report of Session 2013-14	HC 667	December 2013
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