



National Audit Office

Report

by the Comptroller
and Auditor General

Cross-government

Capability in the civil service

Key facts

£405bn

whole-life cost of projects in the Government Major Projects Portfolio (September 2015)

26%

reduction in the number of civil servants since 2006 (in full-time equivalents)

2.1

average score (out of five) departments gave themselves for their current capability in workforce planning

- 3** main areas where the civil service needs to increase its capability
- 11** functions in government: areas of expertise that provide professional support and services to departments
- 14,100 – 40,700** the range of estimates of the total number of civil servants in the commercial, digital, data & technology, and project delivery functions, 2016
- 25** professions in government that develop capability standards and training
- 2,000** additional staff with digital skills needed within five years
- £145 million** estimated annual cost of these additional digital staff
- 22%** of posts unfilled for senior recruitment competitions chaired by the Civil Service Commission in 2015-16

Summary

1 The capability of the civil service means its ability to implement policy effectively. The civil service needs the right number of people with the right skills in the right place, supported by effective accountability, governance and information. This report focuses on the people aspects of capability – specifically, whether the civil service has the right specialist capacity and skills to undertake all that government wants it to do. The Cabinet Office has lead responsibility for increasing the capability of the civil service, although departments are responsible for identifying and meeting the skills needs of staff and their own workforce.

2 Recent budgetary constraints have meant that departments have had to undertake ambitious transformation programmes to rationalise their organisational structures, change the way they deliver services or add efficiencies to existing processes. Departments have faced significant reductions in their administrative budgets, with corresponding reductions in staff numbers and resources that can be used for learning and development. Departments also need different skills as they introduce different operating models and new technology.

3 This report examines government’s approach to identifying and closing specialist capability gaps in the civil service. We consider two things in particular: **capacity** – numbers of staff in post; and **skills** – ensuring that those in post have the right skills to do their jobs properly. The report looks at:

- the extent of the challenge government faces in securing the right capability;
- how effectively government assesses its capability needs and skills levels;
- plans to address specialist capability gaps; and
- the implications for civil service capability of leaving the European Union (EU).

Key findings

The challenge faced by government

4 Civil servants are responsible for an increasingly complex range of tasks and projects. Government is asking the civil service to deliver more, even though its size has reduced by 26% since 2006. The work of government is becoming ever more technical, and delivering government policy objectives increasingly needs a response from the civil service. This may be through providing joined-up services to the public, or carrying out programmes that need departments to coordinate their work. Government's major projects have an estimated whole-life cost of over £405 billion with 29 considered to be complex transformation projects (paragraphs 1.10 to 1.14, Figure 1 and Figure 2).

5 Weaknesses in capability undermine government's ability to achieve its objectives. We have recently seen improvements in how some departments manage projects but we continue to report regularly on troubled projects. Our work shows that many delivery problems can be traced to weaknesses in capability. For example, a lack of expertise in project and programme management contributed to the collapse of the InterCity West Coast franchise competition in 2012. We also found that the Common Agricultural Delivery Programme suffered from a high turnover of senior leaders. The Infrastructure and Projects Authority's (IPA) gateway reviews show that skills, management and resourcing are among the top three concerns highlighted by reviewers (paragraphs 1.19 to 1.22, Figure 3 and Figure 4).

6 Government projects too often go ahead without government knowing whether departments have the skills to deliver them. Government is seeking to deliver a challenging portfolio of major projects, including Hinkley Point C, High Speed 2, and the Trident renewal. While the civil service has skilled people, many of these projects draw on the same pool of skills. For example, in rail projects such as Crossrail and Thameslink, we have seen skilled civil servants performing a number of project roles or being moved to fill skills gaps for new priorities or projects.¹ Government has recently accepted that project leaders and accounting officers need to assess whether projects are feasible at the outset, including whether departments have the right skills to deliver them (paragraphs 1.23 to 1.29).

¹ Comptroller and Auditor General, *Progress in the Thameslink programme*, Session 2013-14, HC 227, National Audit Office, June 2013; Comptroller and Auditor General, *Crossrail*, Session 2013-14, HC 965, National Audit Office, January 2014.

Government's assessment of its specialist capability

7 Government has identified three main capability gaps for the civil service.

It has identified shortages in digital, commercial and project delivery skills. These skills are needed to manage the transformation of organisations or service delivery. Government's 2016 *Civil Service Workforce Plan* focuses on developing career paths, opening up recruitment, and changing pay structures to attract key staff.² Government is also seeking to develop specialist capability through the cross-government 'functions': 11 'areas of specific expertise' that provide professional support and services to departments, such as finance, project delivery and human resources (paragraphs 2.1 and 2.2).³

8 Departments know they need more specialist posts to achieve their objectives.

In the absence of robust forecasts, we surveyed departments on their specialist skills needs and found that many do not think they are strong enough in key project delivery and commercial competencies, such as project planning, benefits realisation and contract management. Departments also reported they that would need around 2,000 additional staff in digital roles within five years' time. We estimate that the annual cost of those digital staff would be between £145 million and £244 million. However, the Government Digital Service (GDS) and IPA believe shortages for digital and project delivery skills will be much greater, particularly given the range of transformation and digital projects ahead (paragraphs 2.15 to 2.19, and Figures 10 to 12).

9 Departments do not know what skills they have, whether these are in the right place, and what additional skills they need. We have reported a number of times since 2011 on government's lack of proper workforce planning and that it does not have a clear picture of its current skills. Government's workforce planning has focused on the number of people in posts and tended to treat these as generic. As a result it has not assessed the skills of the current workforce in a comparable or structured way. Departments have also not had the means to assess how people are deployed, such as the use of time recording for specialists, with rare exception. This means government does not know enough about who is doing what and when, and whether those carrying out tasks have the necessary skills (paragraphs 2.4 to 2.8 and Figure 6).

10 Departments are now in the process of producing better workforce plans, but have a long way to go to address the lack of underlying information. In April 2016, the Committee of Public Accounts recommended that departments prepare comprehensive workforce plans. The Cabinet Office set ambitious requirements for these plans and has supported departments' preparations. It worked with departments to determine the baseline of their ability to do workforce planning, which they assessed as 'developing'. Departments were due to publish their workforce plans in March 2017. The 10 draft workforce plans that we have seen show considerable improvement on previous attempts, but remain focused on staff in post and can only give a high-level view of how staffing requirements are likely to change. They are also not yet aligned to single departmental and functional plans (paragraphs 2.9 to 2.14 and Figure 8).

² Cabinet Office and Civil Service, *Civil service workforce plan: 2016–2020*, July 2016.

³ Cabinet Office, *The functional model: a model for more efficient and effective government*, policy paper, March 2015.

Government's plans to address its specialist capability gaps

11 Government has a plan to fill its capability gaps and the functions are making progress in building specialist skills. Government's approach is based on growing skills in the civil service, developing clear career paths and encouraging a talent 'pipeline'. The aim is to create a more professional, delivery-oriented civil service. Some functions, such as commercial, have made rapid progress in identifying departments' specialist skills needs, introducing rigorous skills assessment, and moving towards greater pay flexibility for scarce skills. For example, all commercial specialists at grade 6 and above are now having their skills levels formally assessed (paragraphs 3.1 to 3.7 and Figure 15).

12 Government's capability initiatives will take time to mature and greater urgency is needed. The functions are at different levels of maturity and most do not have well-developed workforce data. The success of the functions, and government's overall capability strategy, also depends on departments taking up what the functions are offering, which given departmental autonomy is not compulsory. And departments have yet to work out what the development of functions really means for how they organise themselves. We therefore see a key risk that uptake of the functions by departments will be too slow for the dynamic environment in which government finds itself. Government's rate of improvement needs to match more closely the growth in the challenges government is facing (paragraphs 3.7 and 3.8).

13 Government does not fully understand the private sector's capacity to supply skills. The civil service needs people who can carry out highly technical projects with large digital and behaviour change components. People with these skills are scarce and government tends to assume that it can get the skills it needs for projects from the private sector. However, around one in four senior recruitment competitions run by the Civil Service Commission in 2015-16 resulted in the post not being filled. Many of these were for senior posts with specialist commercial or digital skills. Our review of departmental workforce plans to date suggests departments do not have clear resourcing strategies to fill such capability gaps (paragraphs 3.9 to 3.13).

14 Leaving the EU will further increase the capability challenges facing government. The Cabinet Secretary has referred to the United Kingdom's decision to withdraw from the EU as "the biggest, most complex challenge facing the civil service in our peacetime history".⁴ Government has staffed-up two new departments to support this process. The capability demands go beyond these two departments and the civil service is currently evaluating the longer-term impacts of Brexit on its staffing needs. For example departments, such as the Department for Environment, Food & Rural Affairs, which have had large amounts of EU-derived funding and legislation need legal, economic and sector experts to deal with the implications of Brexit. They will have to do this while using their remaining staff to achieve pre-existing priorities (paragraphs 4.1 to 4.13).

4 Jeremy Heywood/Civil Service News email, The Government's objectives for Brexit – a message from the Head of the Civil Service, 18 January 2017.

Conclusion

15 Government is facing ever-increasing challenges in providing public services. Continuing budgetary restraint is putting pressure on departments, which are already managing important reforms with fewer staff and smaller budgets. The decision to leave the EU also means government will have to take on tasks previously undertaken by others, requiring the development of skills not previously planned for. Government has acknowledged that it needs to do more on workforce planning. It has committed all departments to producing workforce plans by March 2017 and is seeking to develop specialist skills by setting out clear career paths and introducing pay flexibility where required. But progress so far has been slower than the growth in the challenges the civil service is facing.

16 Government has based its plan on growing skills in the civil service, and these will take time to develop. The scale of the challenge means there is a need for greater urgency. Government needs to measure and tackle its specialist capability gaps. It needs to develop a more sophisticated understanding of its capability needs, both within individual departments and in its cross-government functions. Government also needs to integrate the work of the functions more effectively with that of departments, so that specialist skills development in departments is strongly supported. Until it does this it will not be able to develop a civil service capable of meeting the challenges of modern government.

Recommendations

- a** In the absence of a short-term solution to the civil service's capability gaps, the government needs to prioritise its projects, activities and transformation programmes. It should stop work on those it is not confident it has the capability to deliver.
- b** Every significant project should have an assessment of the capability required to deliver it and how that capability will be filled. This should then support the accounting officer when approving projects to start or when major changes are made.
- c** Likewise, departments should assess the capability requirements of their ongoing operations as part of annual business planning.
- d** All functions should set out both people and operational standards that provide clear benchmarks for these capability assessments.
- e** Departments are working to improve their workforce planning so it includes skills assessment and plans for developing capability. All functions should also undertake similar exercises, if possible building on current efforts such as functional talent reviews.
- f** All functions and departments should assess how best, or make clear to what extent, they can obtain resources from the private sector to fill capability gaps.
- g** The Cabinet Office should ensure departmental workforce plans, functional plans and single departmental plans are integrated.