NAO National Audit Office

A Short Guide to the

Cabinet Office

September 2017

About this guide and contacts

This Short Guide summarises what the Cabinet Office does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.

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The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £734 million in 2016.
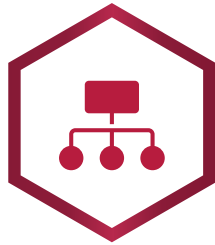
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Overview

Key facts

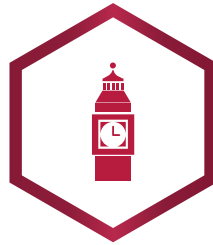**About the Cabinet Office**

Accountability to Parliament

Where the Cabinet Office spends its money

Key trends across the Cabinet Office – expenditure

Key trends across the civil service

Major programmes and developments

Exiting the European Union

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Key facts

Expenditure

£451 million
Net spend for 2016-17 – this comprises £570 million expenditure and £119 million income.

£1.9 billion
Government investment to be made in cyber security 2016–2021, coordinated by the Cabinet Office.

People

£248 million
Total spend on Cabinet Office staff pay in 2016-17 – up £38 million since 2015-16.

3,488
Staff employed by the Cabinet Office and its arm's-length bodies in 2016-17.

Programmes

£456 billion
Government Major Projects – estimated whole-life cost of government's biggest and riskiest projects (the Government Major Projects Portfolio), September 2016.

£3.3 billion
Efficiency savings – total reported savings for 2015-16 across government departments.

23%
Government Property Unit – reduction in the total running cost of the central estate of property holdings across departments since 2012 (£2.55 billion cost in 2015-16).

£900 million
Government Commercial Function – reported efficiency savings from GCF helping departments in 2016-17.

About the Cabinet Office

The Cabinet Office's Purpose

The Cabinet Office supports the Prime Minister and Cabinet, and ensures the government runs effectively. It is the corporate headquarters for government, in partnership with HM Treasury, and takes the lead in certain critical policy areas such as commercial, digital and transparency. Its spend is lower than many departments but its influence is significant. Its Purpose, from 2017-18, is set out below.

Maintain the integrity of the Union, coordinate the security of the realm and sustain a flourishing democracy

- Deliver a stable constitutional settlement that represents a fair deal for every part of the UK.

- Make Parliament more effective and reform the electoral process.

- Coordinate, deliver and implement the National Security Strategy and Strategic Defence and Security Review, and respond to national security threats (the Cabinet Office works with other departments, including the Ministry of Defence and Home Office, in delivering this).

- Coordinate and develop international policy across government.

Support the design and implementation of HM Government's policies and the Prime Minister's priorities

- Establish, implement and communicate the government's strategic priorities.

- Support the effective operation of the Cabinet and Cabinet Committees.

- Draw up and facilitate delivery of the government's legislative programme.

- Ensure public appointments are filled by the best people and that they act in the right way.

About the Cabinet Office *continued*

Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government

The Cabinet Office leads a number of functions that support efficiency and improve capability across government.

Function	Priority focus
Human resources	Ensure the civil service gets the best people and gets the best from its people.
Digital transformation	Roll out cross-government technology platforms to cut costs, enable flexible working, improve productivity, and move services online.
Property management	Improve government's management of its estate, and co-locate offices and services where possible.
Major projects	Improve ability to deliver major projects through assurance, project standards, insight and advice.
Commercial	Advise departments (and the wider public sector) on procurement and contract management to provide best value for the taxpayer.
Communications	Produce campaigns that communicate ministerial priorities and enable people and businesses to make the best choices.
Fraud, error, debt and grants	Reduce loss through fraud and error, improve management of overdue debt, and improve efficiency and effectiveness of government grants.

Accountability to Parliament

John Manzoni is the Permanent Secretary and Principal Accounting Officer (AO) for the Cabinet Office[1]. As AO, he is personally accountable to Parliament for managing the department, its use of public money, and its stewardship of assets as set out in Managing public money. The Cabinet Secretary, Sir Jeremy Heywood, is also based in the Cabinet Office, and line manages all Whitehall AOs.

In 2016, the NAO reported that accountability to Parliament has not kept pace with increasingly complex ways of delivering policies and services, and that there are weak incentives for permanent secretaries to prioritise their AO role. The Committee of Public Accounts subsequently recommended that all departments should publish an Accounting Officer System Statement (AOSS), setting out all their responsibilities and showing clearly how the AO gains assurance over the use of taxpayers' money. Departments, including the Cabinet Office, are to publish these alongside their 2016-17 accounts.

Also following the NAO and PAC reports, from April 2017, the relevant AO must prepare a formal assessment at the start of a major project, and at key decision points, to provide visibility of their decision-making. None have been required from the Cabinet Office to date.

Accountability challenges for the Cabinet Office

The Cabinet Office's budget is relatively small, but its objectives are wide-ranging, affecting activities in every department. The Department is often the initiator of new forms of delivery, but it generally lacks powers to mandate departments to act, and achieving its objectives often relies on softer influencing. It sometimes has difficulty obtaining robust data from departments. As a result, the Cabinet Office has not always put in place the four essentials of effective accountability that were set out in the NAO report (see next page).

Ministerial directions

If an AO has concerns about the propriety, regularity, feasibility or value for money of a proposed course of action that cannot be resolved, they should request a formal Ministerial Direction before agreeing to proceed. Cabinet Office ministers have issued two directions since June 2015:

- In June 2015, the then ministers (Matthew Hancock and Oliver Letwin) directed the former Permanent Secretary and AO (Richard Heaton) to award a £3 million grant to Kids Company (a charity working with vulnerable young people), despite the AO's advice that the grant was not likely to be value for money.

- In July 2016, the then Prime Minister (David Cameron) directed the Permanent Secretary (John Manzoni) to provide additional severance payments to Special Advisers not reappointed following the 2015 General Election.

Note
1   There are three additional AOs in bodies related to the Cabinet Office (Civil Service Commission; Crown Commercial Service; and the Registrar of Consultant Lobbyists).

Accountability to Parliament *continued*

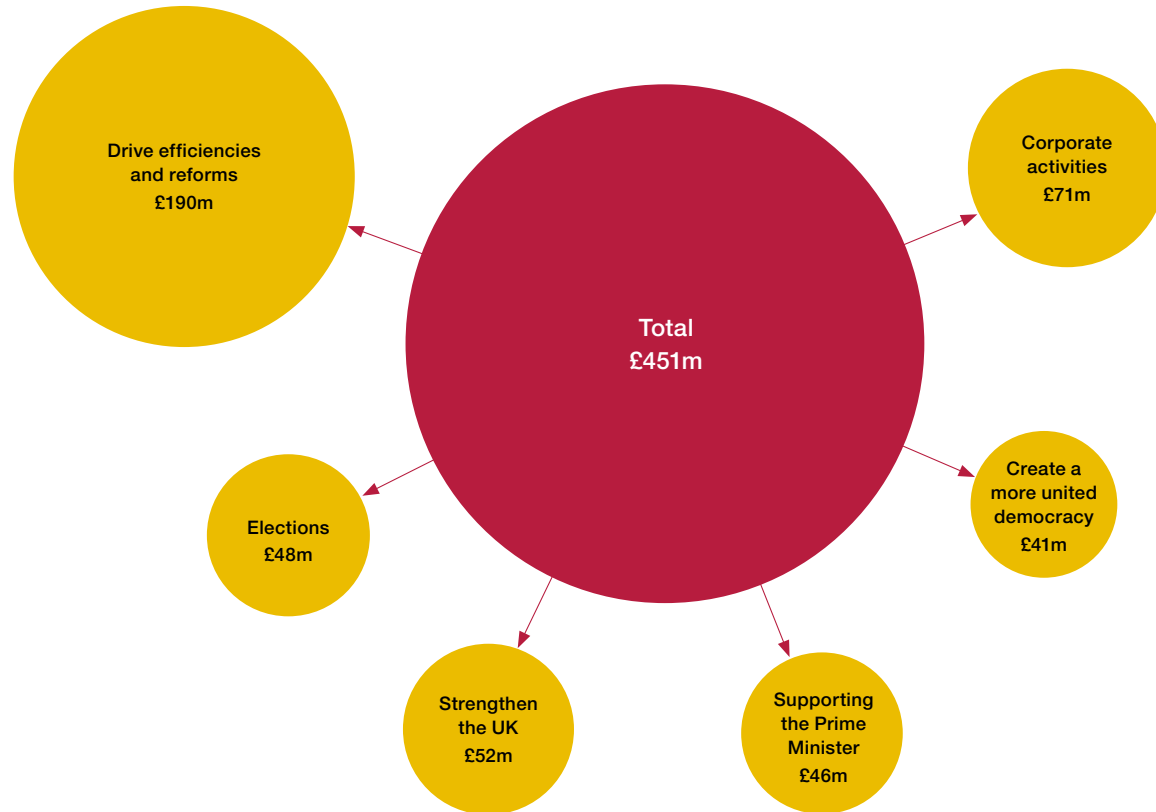| Essentials of accountability	Examples from recent reports on the Cabinet Office
A clear expression of spending commitments and objectives	In setting up Shared Service Centres, the Cabinet Office did not develop an integrated and agreed business case, which made it difficult to take government-wide decisions with the programme objectives in mind.
A mechanism or forum to hold to account	When the Crown Commercial Service (an initiative to facilitate procurement across departments) was created, it contained functions and people that did not belong in a central buying agency. These arrangements blur the lines of accountability.
Clear roles and someone to hold to account	The Trust managing the National Citizen Service was initially set up in 2013 outside government as a community interest company. This meant that the usual standards for spending public funds set out in Managing public money did not apply. Responsibility for the National Citizen Service passed from the Cabinet Office to the Department for Digital, Culture, Media and Sport in 2016.
Robust performance and cost data	The government created MyCSP to manage civil service pensions. Inaccurate data has been a long-standing problem, affecting governance and performance management, including slowing down the service to scheme members and hampering members' planning for their pensions. The Cabinet Office is working to improve data quality.

Where the Cabinet Office spends its money

Cabinet Office net resource outturn, 2016-17

The Cabinet Office has a smaller budget than most central government departments. In 2016-17, its gross expenditure was £570 million and income was £119 million, giving a net expenditure requirement of £451 million. The diagram shows how the Department's expenditure was split between its main priority areas.

Notes

1   In the 2016-17 Annual Report and Accounts, spend is shown under the department's previous four objectives.

2   **Create a more united democracy** was aimed at making Parliament more effective, reforming the electoral process, and delivering a stable constitutional settlement for every part of the UK.

3   **Strengthen and secure the UK**. The Cabinet Office coordinates the work of other departments in implementing the National Security Strategy and the Strategic Defence and Security Review, and in responding to national security threats and major incidents.

4   The expenditure figures do not include the Crown Commercial Service (CCS) which operates as a trading fund. CCS had turnover in 2016-17 of £73 million. It is financed mainly by a levy paid by suppliers contracted through CCS frameworks to provide goods and services to government. In 2016-17, CCS contracts were used to buy around £12.4 billion of common goods and services.

5   The total does not sum due to the omission of minor items of expenditure and some rounding.

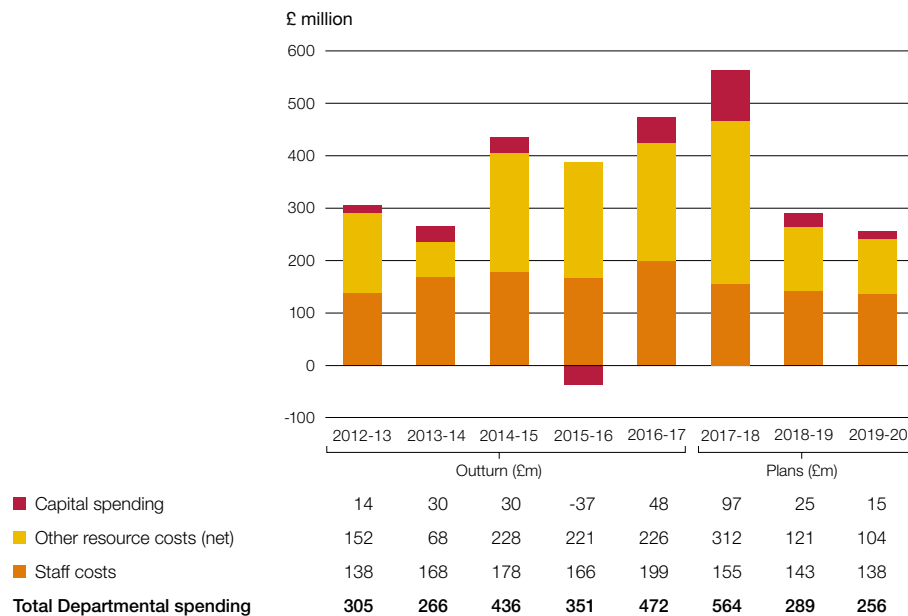Source: Cabinet Office *Annual Report and Accounts 2016-17*

Drive efficiencies and reforms
£190m

Corporate activities
£71m

Total
£451m

Create a more united democracy
£41m

Elections
£48m

Supporting the Prime Minister
£46m

Strengthen the UK
£52m

Key trends across the Cabinet Office – expenditure

Cabinet Office: Total Departmental spending 2012-13 to 2019-20

The Cabinet Office's remit has grown since 2012-13, but significant reductions are expected from 2018-19

£ million

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
			Outturn (£m)				Plans (£m)	
Capital spending	14	30	30	-37	48	97	25	15
Other resource costs (net)	152	68	228	221	226	312	121	104
Staff costs	138	168	178	166	199	155	143	138
Total Departmental spending	**305**	**266**	**436**	**351**	**472**	**564**	**289**	**256**

Notes
1. The total spending for 2016-17 shown here differs from the figure in the previous section as it includes 'Annually Managed Expenditure' and capital expenditure.
2. Spending figures do not include Crown Commercial Service which operates as a separate trading fund financed by fees.
3. Figures may not sum due to rounding.

Source: Cabinet Office *Annual Report and Accounts 2016-17*

The Cabinet Office's responsibilities increased between 2012-13 and 2016-17, including strengthening the oversight of IT, property, major projects, and commercial activities across government. Its budget increased by 55% to reflect these responsibilities, from £305 million in 2012-13 to £472 million in 2016-17.

Between 2015-16 and 2016-17, spending increases included:

- £72 million (61%) on efficiency and reforms due to increased spending on IT, property management, and shared services; and

- £23 million (78%) on strengthening and securing the UK due to the opening of the new National Cyber Security Centre in October 2016.

The Figure opposite shows that spending is planned to peak in 2017-18. In 2018-19 and 2019-20 spending is planned to fall because:

- no elections are planned (the Department allocated £146 million in its Consolidated Fund budget for 2017-18 to cover the costs of the 2017 General Election);

- capital spend (money spent on assets such as property, buildings or equipment) on major projects is expected to fall; and

- efficiencies are anticipated in other areas.

A supplementary estimate was published in February 2017 with a large number of budget changes, the main one being a £266 million reduction due to the transfer of the Office for Civil Society to the Department for Digital, Culture, Media & Sport.

The Department's spending in 2016-17 was below the revised budget allocated to it by Parliament due to higher than expected receipts. Corporate activities underspent by £28 million due to, for example, higher than planned charges to other bodies for services provided by the Cabinet Office and dividends received from the Crown Commercial Service trading fund.
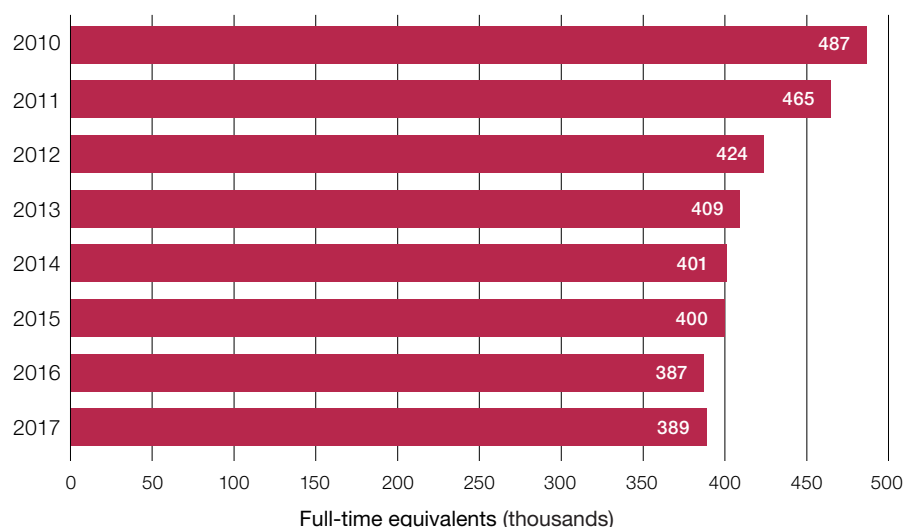
Key trends across the civil service

People

The size of the civil service continues to decrease

Civil servants are responsible for an increasingly complex range of tasks and projects. Government is asking the civil service to deliver more with fewer people (its size has reduced by 21% since 2010). The capability of the civil service, on which the Cabinet Office is the lead, is therefore critical to government success. In its 2017 report on capability, the NAO concluded that "without a short-term solution to its capability gaps government must get better at planning and prioritising its activities and be prepared to stop work on those it is not confident it has the capability to deliver."

Full-time equivalents in the civil service, 2010 to 2017

Year	Full-time equivalents (thousands)
2010	487
2011	465
2012	424
2013	409
2014	401
2015	400
2016	387
2017	389

Full-time equivalents (thousands)

Source: Capability in the civil service, National Audit Office, March 2017; Office for National Statistics

Programmes

Government delivers a portfolio of complex and increasingly challenging projects
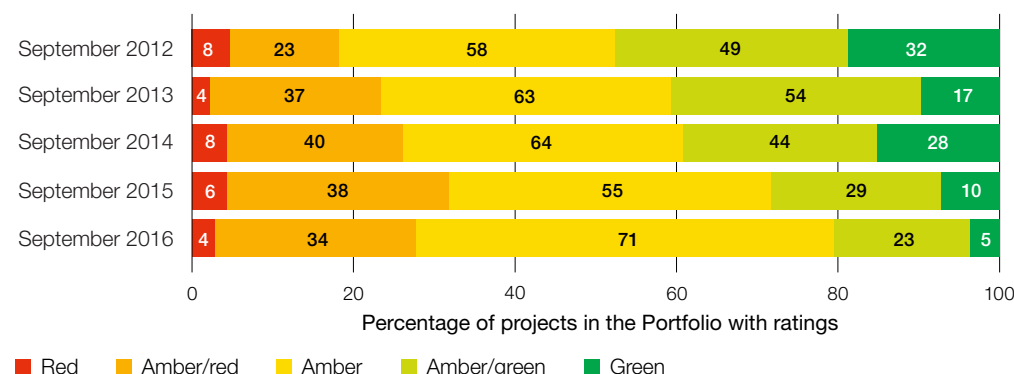
In September 2016 there were 143 projects in the Government Major Projects Portfolio, with a total whole-life cost of £456 billion. The Cabinet Office's Infrastructure & Projects Authority assesses the 'delivery confidence' of projects.

As the chart shows, the proportion of green and amber/green projects has fallen steadily since 2012, while the proportion of red and amber/red increased from 2012 to 2015 with a decline in 2016. The IPA observes that the picture is not straightforward as projects will have joined and left the portfolio as well as changed rating during the course of the year.

The Cabinet Office manages six of these projects, with lifetime costs estimated at £1.4 billion. Since September 2016, the Cabinet Office has added two further projects to the portfolio.

Delivery confidence assessments of projects in the Government Major Projects Portfolio

	Red	Amber/red	Amber	Amber/green	Green
September 2012	8	23	58	49	32
September 2013	4	37	63	54	17
September 2014	8	40	64	44	28
September 2015	6	38	55	29	10
September 2016	4	34	71	23	5

Percentage of projects in the Portfolio with ratings

■ Red   ■ Amber/red   ■ Amber   ■ Amber/green   ■ Green

Note

1   The sizes of the bars represent the percentage of projects with each rating in each year; the numbers shown within the bars indicate the actual numbers of projects.

Source: National Audit Office analysis of data from Infrastructure & Projects Authority Annual Report on Major Projects 2016-17

Major programmes and developments

Although one of the smaller departments, the Cabinet Office manages a number of major cross-government projects on behalf of government. This includes eight projects in the Government Major Projects Portfolio (GMPP).

Property

The Government Property Unit is delivering two projects in the GMPP. They are intended to deliver a more commercial approach to managing the government's estate and make efficiency savings through cross-government property management:

- The **New Property Model** will establish a new agency in 2018 to own and manage much of the central government estate, securing additional efficiency savings.

- The **Government Hubs** programme aims to reduce the government estate from 800 buildings to 200 by 2023, including 18–22 regional centres.

In April 2017 the NAO found that there had been delays in launching the new Agency due to difficulties in recruiting staff with the right skills and in securing the commitment of other government departments to hubs (see page 20).

Digital

GOV.UK Verify, managed by the Government Digital Service (GDS): Verify is designed to enable individuals to prove their identity online. The system went live in May 2016 and is available for 10 online services. In 2017, the NAO found that take-up of Verify has been undermined by its performance and GDS had lost focus on the longer-term strategic case and struggled to demonstrate the value of the project.

Cross-Government Secure IT, managed by the National Security Secretariat (NSS): The programme's vision is to provide government with a single IT shared service assured for working at the security classification SECRET. The system is intended to: improve the security of existing systems; reduce the overall costs of government IT; and provide a modern, secure, effective and affordable service. Our 2016 report found that the original business case was optimistic and the programme was at that time not on track to deliver the £308 million of anticipated benefits over 10 years. The programme was rated amber by the IPA in July 2016. The service went live in February 2017.

Government as a Platform, managed by GDS: this programme will enable a new way of building digital services. GDS will provide a set of products designed to make government services easier to develop and cheaper to run.

Common Technology Services, managed by GDS: the programme looks to support government digital transformation by designing IT solutions that are intended to meet cross-government technology needs, allowing for collaboration and cost savings.

Major programmes and developments *continued*

Next Generation Shared Services

Under the **ISSC2** this programme, which began in 2012, departments and arm's-length bodies will increasingly share human resources, procurement, finance and payroll functions. The Cabinet Office has estimated that this programme will save over £300 million a year.

In 2016, the NAO found that the Cabinet Office's failure to manage risks from the outset meant the programme had not achieved the significant anticipated savings and other benefits. In 2016-17, the Department concluded negotiations with its two private sector operators over additional costs and the reduced number of departments expected to use the shared service centres. The ISSC1 programme was transferred back to the Department for Transport, and the Cabinet Office retained the ISSC2 programme.

Since our report, the shared service centre overseen by the Cabinet Office has migrated customers to the single operating platform. As of May 2017, some 16 departments/organisations are using the centre, equating to more than 250,000 people using shared services.

Government Commercial Function

The Civil Service Capabilities Plan identified commercial skills as one of the civil service's top three development priorities. The **Commercial Capability Programme** has been running since 2015. Its purpose is to transform commercial capability across government through the recruitment, retention and development of commercial staff across all departments. The Government Commercial Organisation has been set up to administer pay packages which are more comparable to the employment market, and a central recruitment hub and accreditation centre. A Fast Track Apprenticeship scheme and a dedicated commercial Fast Stream programme are now in their second year.

Exiting the European Union

Responsibilities transferred from the Cabinet Office to DExEU

Following the Referendum result, the Cabinet Office set up an EU Unit to carry out an initial consideration of the options on Britain's future relationship with the EU and their costs and benefits. The Department then supported the creation of the Department for Exiting the European Union (DExEU). The EU Unit's functions, which include some of the European & Global Issues Secretariat functions, were transferred to DExEU.

As part of its support to the Government's legislative programme, the Cabinet Office supported delivery of the European Union (Notification of Withdrawal) Act 2017.

The Cabinet Office's work with DExEU

Philip Rycroft was appointed Second Permanent Secretary at DExEU in April 2017. He also retains his role as Head of UK Governance Group in the Cabinet Office, with responsibility for constitutional and devolution issues. The Cabinet Office's Constitution Group works closely with DExEU on the policy implications of EU exit for the devolution settlements.

Exit-related major projects

It is expected that a number of programmes associated with withdrawal from the EU will be classified as major projects. The Infrastructure & Projects Authority provides independent assurance and support to projects in the Government Major Projects Portfolio, and so will have an important role in assuring the delivery of these exit-related projects.

If the size and complexity of the Portfolio becomes excessive, then the Cabinet Office with HM Treasury will need to lead efforts to prioritise projects and programmes within it.

Ensuring the capability to support EU exit

The Cabinet Office has the responsibility for 'creating an exceptional civil service, improving its capability and effectiveness'. Our report on Capability in the civil service set out how leaving the EU will further increase the capability challenges facing government.

In our report we found government had started to identify and plan for the capability needs of exiting the EU across all departments. In summer 2016, the Cabinet Office conducted a cross-government EU exit capability review and found that 12 of the 17 then main departments identified a 'considerable' or 'significant' impact to their capability in policy, operational and specialist skills areas. In 2017, the Cabinet Office and HM Treasury, along with DExEU, conducted an updated capability review with the overall aim of assessing government's readiness for exit from the EU. The Cabinet Office expects there will be continued demand for skills in the following areas:

- trade negotiation;
- commercial and industry sector expertise;
- legal;
- project and programme management; and
- analysis (economics, statistics, data science, operational research).

As of February 2017, the civil service had created more than a thousand new roles in the new departments and elsewhere to prepare for exiting the EU and negotiating new trade agreements; two-thirds of the roles had been filled at that time.

Exiting the European Union: what are the issues to explore?

Across government the NAO considers that a **successful implementation of Brexit** will require:

- strong collaboration and coordination across departments;

- a clear sense of prioritisation at departmental and cross-departmental level, including decisions to stop or delay projects; and

- a robust assessment of the required capability and a cross-government strategy to address any gaps.

If the Committee chooses to examine how the Cabinet Office is organising itself to deliver a successful exit from the EU, it may wish to explore the following issues:

Coordination across government

Departments should be clear about how the actions they are taking align with plans across government to deliver a successful exit. The Cabinet Office, with DExEU and HM Treasury, must also present a clear plan to departments so there is shared understanding of respective roles and responsibilities.

Prioritisation of activities

Departments will need to prioritise their activities in response to Brexit. We would expect this to involve stopping or pushing back some activities. The activities that are prioritised will need to incorporate a strong emphasis on delivery as well as policy. The Cabinet Office, with DExEU and HM Treasury, will also need to take a cross-departmental view on where resources need to be prioritised and redeployed.

Staffing and resources

Departments will need to have assessed what skills and resources are needed to deliver a successful exit in the short to medium term. Filling any gaps may mean recruiting staff externally, and a movement of staff across government to where they are needed most. The functional leadership model and Civil Service Human Resources will need to support departments in achieving this.

Key themes from NAO reports

		NAO report references
Improving the value for money of the Cabinet Office's work	The Cabinet Office has struggled to demonstrate the value for money of some of its programmes to coordinate activity across government, such as shared service centres, the Crown Commercial Service and the transformation of the government estate. Some of these programmes have suffered from the lack of a compelling business case, and some have experienced difficulties in obtaining sufficient commitment from other government departments.	Shared service centres Crown Commercial Service Progress on the government estate strategy
Improving the system of government	Government and the civil service face ever-increasing challenges in providing public services. These include ongoing budgetary restraint and a reduction in the workforce, with no reduction in workload, coupled with changes such as increasing digital delivery and preparing to leave the EU. The Cabinet Office has a crucial role in leading and coordinating other departments so that the civil service can rise to these challenges.	Capability in the civil service Digital transformation in government Managing business operations – what government needs to get right Government's management of its performance: progress with single departmental plans Spending Review 2015
Improving government's delivery through others	In 2015-16 the public sector spent around £192 billion on goods and services, and £50 billion of capital spending. While there have been some improvements in government's management of contracts in recent years, areas still needing much improvement include: transparency of suppliers' performance, costs and revenues; more effective competition for government business; and stronger commercial skills within government. Government has responded by investing in the skills and capability of its commercial workforce. Senior commercial staff now have to have their commercial skills assessed and will be employed centrally by the Cabinet Office's Government Commercial Organisation.	Government Commercial and Contracting: an overview of the NAO's work Commercial and contract management: insights and emerging best practice Capability in the civil service

Improve the efficiency of government

How is
it delivered?

Recent and planned
developments

Property
transformation

What are the things
to look out for?

How is it delivered?

Efficiency savings

The Cabinet Office has teams and arm's-length bodies that help government make its operations more efficient, including relating to property, digital services, commercial, shared services, programme assurance, and fraud prevention. Some have formal powers to require changes and some others must persuade the rest of government to follow the Cabinet Office's agenda. **The Cabinet Office reported cross-government efficiency savings totalling £52 billion during the 2010-2015 Parliament.**
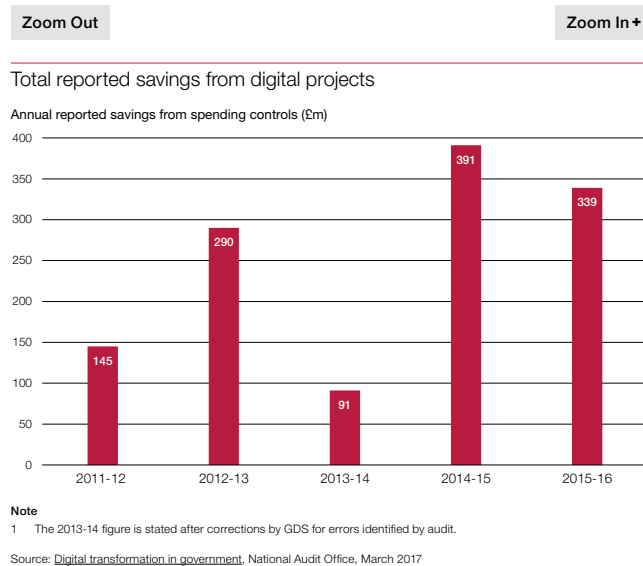
Commercial savings

The Cabinet Office hosts the Government Commercial Function (GCF), which is the centre of expertise for commercial matters. The GCF reported helping departments achieve efficiency savings of £900 million in 2016-17.

Crown Commercial Service (CCS) procurement frameworks are used to buy £6 billion of common goods and services on behalf of departments. They are also used by the wider public sector to buy a further £6.4 billion of common goods and services.

Digital savings

The Government Digital Service (GDS) promotes digital transformation and operates spending controls over digital projects run by departments. It aims to improve efficiency by standardising the way departments use ICT, including through spending controls which can enforce common standards across government and prevent unnecessary spending. Reported savings in the period 2011-12 to 2015-16 totalled £1.3 billion.

Zoom Out   Zoom In +

Total reported savings from digital projects

Annual reported savings from spending controls (£m)

Year	Savings (£m)
2011-12	145
2012-13	290
2013-14	91
2014-15	391
2015-16	339

Note

1   The 2013-14 figure is stated after corrections by GDS for errors identified by audit.

Source: Digital transformation in government, National Audit Office, March 2017

Capability in the civil service

The Cabinet Office is responsible for the capability of the civil service. It sets policy and provides human resources services to departments, who are the employers. To realise its vision for the civil service, the Cabinet Office committed in its 2016 Civil Service Workforce Plan to improve recruitment, career paths, and leadership.

The Cabinet Office is home to many of the cross-government 'functions', which are crucial for building key specialist skills in the civil service.

Recent and planned developments

Efficiency savings

In February 2017, the Cabinet Office reported that it saved the taxpayer £3.3 billion across government in 2015-16 compared with 2014-15. This comprised £1.2 billion of operational savings and £2.1 billion of benefits from fraud measures, property asset sales and new commercial models. Until the 2017 General Election, the government target was to make annual savings of £10 billion by 2017-18 and £15 billion to £20 billion in 2019-20.

Commercial

The Cabinet Office is centralising the recruitment and employment of senior commercial staff across government. Improving commercial capability should result in better commercial outcomes for government. Senior commercial staff have begun to transfer from departments to be direct employees of the Government Commercial Organisation and over 600 staff underwent a new assessment & development centre during 2016-17.

A process for creating long-term departmental commercial plans ('blueprints') set out their expected commercial activities and the staff resourcing plans to achieve them. By the end of 2016-17, six plans were completed and the rest are expected by the end of 2017-18.

Digital transformation

GDS 'Verify' is a common system for the public to prove their identity and access government services online. The Cabinet Office expects it to save money and improve security. The system went from live in 2016-17, but take-up has been slower than expected:

- 25 million target for users by April 2020.

- 4.4 million original predicted users by March 2017.

- 1.1 million actual users by February 2017.

Capability

The Cabinet Office requires all departments to prepare comprehensive workforce plans, and it works with them to refine their plans. The National Audit Office has reviewed 10 departments' draft plans. These were a considerable improvement on previous attempts, but continued to show that government has limited information on skills and future requirements.

The Cabinet Office intends to address specialist skills gaps across government through the 11 functions within the civil service. However, the progress made has varied, and many functions lack the information they need on the skills currently available across government.

Shared services

The Cabinet Office oversees a shared service centre (ISSC2) run by a private contractor. The centre currently provides back-office services to seven major departments and the Environment Agency. Savings on the programme so far have been less than anticipated: £90 million savings were achieved in the first 2½ years of operation, which is less than the £94 million investment cost.

The Cabinet Office is producing a shared services strategy to improve the services it offers. It intends that 16 departments will be using ISSC2 in 2017, and expects the programme to deliver over £300 million in net savings by 2023-24.

Property transformation

The Cabinet Office's Government Property Unit (GPU)

Central government occupies 4,600 buildings which cost £2.55 billion a year to operate. The GPU was set up in 2010 to create a more effective and efficient estate. It produced the first government property strategies in 2013 and 2014, which set out a vision of a more collaborative estate without departmental 'silos'.

The government made good progress in reducing the cost of its estate between 2011-12 and 2015-16:

- the central estate became smaller, with departments reducing the size of their estate by 17% and the cost of the estate by 23% overall (see Figure opposite); and

- sales of surplus property raised £2.5 billion against a target of £5 billion by 2020.
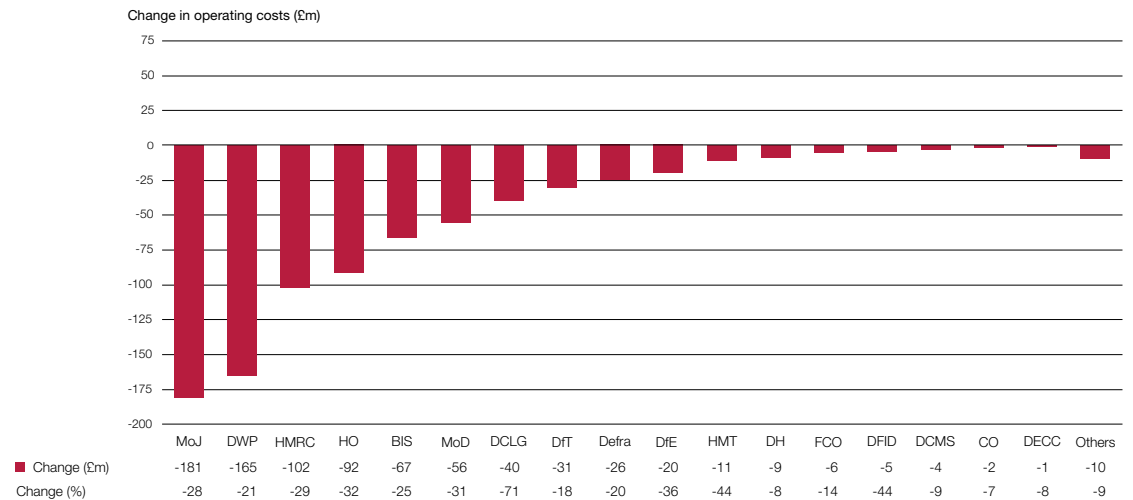
In April 2017, the NAO found that while the GPU had taken steps to improve its capability it still had shortages of property and project management experts. As a result, planned work had not been done.

Zoom Out

Zoom In +

Reduction in departments' estate costs, 2011-12 to 2015-16

Since 2012 all departments have reduced the net operating costs of their estates in real terms

Change in operating costs (£m)

	MoJ	DWP	HMRC	HO	BIS	MoD	DCLG	DfT	Defra	DfE	HMT	DH	FCO	DFID	DCMS	CO	DECC	Others
Change (£m)	-181	-165	-102	-92	-67	-56	-40	-31	-26	-20	-11	-9	-6	-5	-4	-2	-1	-10
Change (%)	-28	-21	-29	-32	-25	-31	-71	-18	-20	-36	-44	-8	-14	-44	-9	-7	-8	-9

Note

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

2   In July 2016, the education and skills functions of BIS transferred to DfE. DECC was merged with the remaining functions of BIS to form the Department for Business, Energy and Industrial Strategy (BEIS).

Source: Progress on the government estate strategy, National Audit Office, April 2017

Property transformation *continued*

The New Property Model

Since the 1990s, departments have managed their own estates with limited central coordination. The GPU proposes a new model for owning and managing government offices and other buildings in the central estate. A new agency, the Government Property Agency (GPA) is being created by the Cabinet Office. Departments are expected to transfer some £3 billion of freehold buildings (including all existing offices) to the GPA by 2020. The GPA will rent the property to departments at market rates. In April 2017, the NAO reported that the forecast savings arising from central management were overstated, the proposed timescale was demanding and that departments were yet to be convinced of the value of the new model.

Hubs programme

The GPU plans to set up 18–22 regional hubs, and some 180 mini hubs, to co-locate 270,000 staff across departments by 2023 and save around £2.2 billion over 10 years. Most hubs are being co-developed with HMRC. However, outside London the savings are likely to be marginal and may be negative in some cases. Departments have been slow to sign up to proposed hub sites.

One Public Estate

Since 2013, the GPU has sought to improve integration across the wider public estate through its One Public Estate programme. It has awarded £21 million to projects involving 255 local authorities. The GPU estimates that, to date, the programme has helped local authorities achieve £26 million from property sales, £8 million of savings in running costs, create 935 jobs and release land for 532 new homes.

What are the things to look out for?

Area	Future developments, risks and challenges
Efficiency savings achieved	For government to continue to make substantial savings, the Cabinet Office will need to work effectively with departments to scale up the savings achieved so far. The NAO examined savings reported in 2014, and did not find strong evidence to support the claimed savings in 5 out of 14 areas.
Government Major Projects Portfolio	The government's portfolio of major projects consists of 143 projects with a total expected lifetime cost of £456 billion. The portfolio could profoundly transform the UK's national infrastructure and public services. But there is a risk that civil servants are being asked to deliver too much, which could result in suboptimal outcomes.
Civil service capability	Government has grasped the need to tackle its key capability gaps, which it is addressing through the work of the functions and actions in the Civil Service Workforce Plan. However, in its report on civil service capability in 2017, the NAO found that greater urgency is needed in addressing capability gaps. The UK's decision to leave the European Union further increases the capability challenges facing government. Although two new departments have been set up, the capability demands on the civil service go beyond those departments. DExEU, the Cabinet Office and HM Treasury are evaluating the longer-term impacts of exit on staffing needs across government.
Transformation of the government estate	Departments have produced significant savings on the size and cost of government property so far, but less progress has been made towards the Cabinet Office's vision of a shared, flexible, integrated estate. The Hubs programme and the emerging Government Property Agency (GPA) are still at an early stage, and the Cabinet Office needs to achieve stronger commitment from departments to make them work. As the GPA is launched and the first new hubs are occupied, 2017 and 2018 are critical years for both programmes.
Shared services	The Cabinet Office needs to show clear leadership, set realistic expectations and manage risks, while departments must be flexible and collaborate. It is currently creating a Shared Services Strategy for the whole of government (the Road Map) to achieve these improvements.

Sustain a flourishing democracy

How is it delivered?

What are the things to look out for?
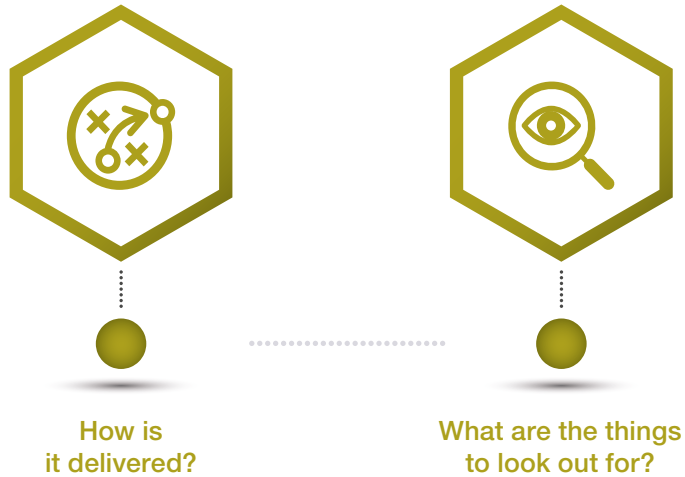
How is it delivered?

The Cabinet Office's overall objectives in maintaining the integrity of the Union and sustaining a flourishing democracy are to:

1 Deliver a stable constitutional settlement that represents a fair deal for every part of the United Kingdom; and

2 Make Parliament more effective and reform the electoral process.

In 2016, the Cabinet Office set out the following measures to achieve these objectives:

● Introduce English votes for English laws

● Reduce the number of MPs in the House of Commons to 600

● Retain the First Past the Post system for House of Commons elections

● Engage with any proposals to address the size of the House of Lords and rules governing retirement of peers

● Implement constituency boundary changes – final recommendations on the changes are expected from the Boundary Commission in September 2018

● Seek agreement on a comprehensive package of party funding reform

● Tackle electoral fraud (which was alleged after both the EU Referendum and in the General Election 2017) and complete the electoral register, which includes an estimated 46.8 million people.

Who is involved in delivery?

The **UK Governance Group** within the Cabinet Office leads the government's work on constitutional and devolution issues. It brings together the Cabinet Office's Constitution Group, the Scotland Office, the Office of the Advocate General for Scotland and the Wales Office.

The **Constitution Group** is responsible for law and policy on:

● the functioning of democratic processes, including elections, referendums, party funding and parliamentary reform; and

● the constitutional and devolution settlements in the UK. A new division was created in March 2017 to work on the policy impacts of EU exit for the devolution settlements and the overall settlement for the UK.

The cost of the Cabinet Office's activities to create a more united democracy was £91 million in 2016-17. This included costs associated with recent electoral events.

The Department allocated £146 million in its Consolidated Fund budget for 2017-18 to cover the costs of the 2017 General Election.

What are the things to look out for?

Area	Future developments, risks and challenges
English votes for English laws	English votes for English laws was introduced in October 2015. By March 2017, 15 bills and 56 statutory instruments included provisions applying to England or England and Wales only. A government technical review was published in March 2017, examining the first year of the law's operation. This concluded that English votes for English laws was working effectively to address the legislative complexities raised by devolution, and proposed no change to the procedures. However, both the Commons Public Administration and Constitutional Affairs Committee and Lords Constitution Committee have questioned whether English votes for English laws is sustainable, given concerns about lack of cross-party support for it.
Size of the House of Commons and constituency boundary changes	The four Boundary Commissions (for England, Northern Ireland, Wales and Scotland) commenced the current review of constituency boundaries in February 2016. The boundary changes will reduce the size of the House of Commons to 600 seats. Initial boundary proposals were published in late 2016 and final recommendations are expected to be submitted to Parliament in September 2018. If agreed, the new constituencies will take effect at the next general election.
House of Lords reform	In December 2016, the Lord Speaker appointed a cross-party committee of backbench peers to explore methods to reduce the size of the Lords, but not changes to its role and powers. The committee is expected to publish its recommendations in October 2017. The government has said that, while reform is not a priority for this Parliament, where there are measures that can command consensus it will work with peers to look at taking them forward.
Electoral reform	Individual electoral registration was introduced in 2014 in England, Scotland and Wales, with the aim of producing a more accurate register. Some MPs were concerned that the change might result in people entitled to vote no longer being included in the register. In June 2016, the online registration website for the EU Referendum crashed ahead of the registration deadline, and the deadline had to be extended by 48 hours. A technical infrastructure 'refresh' was undertaken in December 2016 so the website could handle higher demand for registrations.
Electoral fraud	In response to Sir Eric Pickles' 2016 review of electoral fraud, the government announced pilot schemes for the use of voter identification in polling stations. These will be trialled at local government elections in England in May 2018.

Coordinate the security of the realm

National Security Strategy and the Strategic Defence and Security Review

Cyber security

What are the things to look out for?

National Security Strategy and the Strategic Defence and Security Review

The Cabinet Office works with departments and agencies to evaluate and respond to threats at home and abroad. It spent £50 million on core funding for these activities in 2016-17 (£29 million in 2015-16). Its primary activities in this business area are:

1   Coordinate, deliver and implement the National Security Strategy and the Strategic Defence and Security Review (SDSR) and respond to national security threats

- The National Security Strategy and Strategic Defence and Security Review 2015 was published in November 2015. It set out three overarching national security objectives:

Protect our people

Project our global influence

Promote our prosperity

- A small SDSR implementation team was set up in the Cabinet Office's National Security Secretariat to support the National Security Council Sub-Committee on SDSR and oversee delivery of the 89 priority SDSR commitments by departments. In July 2017 the Cabinet Office announced the initiation of a review of national security capabilities, in support of the ongoing implementation of the SDSR.

- The Cabinet Office's National Security Secretariat supports the National Security Council and the Cabinet Office Briefing Rooms (COBR) crisis management system. It also supports the Joint Intelligence Organisation, which assists departments in understanding major security threats and future concerns. In these roles the National Security Secretariat has an important part to play in counterterrorism, by helping to coordinate counterterrorist activity, funding and performance reporting across government departments and agencies.

- The Cabinet Office has continued to develop a cross-government shared IT service to enhance government's ability to work with sensitive information securely.

- The First Annual Report in December 2016 set out progress in delivering the SDSR commitments and showed how it is helping the UK to face up to the threats and challenges posed by a changing world. Twelve of the first 16 principal commitments due to be completed had been delivered (from a total of 89 identified by the SDSR).

2   Coordinate and develop international policy across government

The Cabinet Office coordinates international policy across government, including delivery of the Prime Minister's priorities at G7 and G20 summits and follow-up from the London 2016 Anti-Corruption Summit.

Cyber security

The development of a National Cyber Security Strategy 2016–2021 has been central to the delivery of the SDSR. The Strategy committed the government to investing £1.9 billion over the five-year period "to transform significantly the UK's cyber security".

A large number of organisations have responsibilities for cyber and information security. In its 2016 report on Protecting information across government, the NAO found that too many organisations with overlapping responsibilities operate in the centre of government, confusing departments about where to go for advice. The Cabinet Office needed to do more to coordinate activity across government.

The NAO also found that the new National Cyber Security Centre (NCSC), which opened in October 2016, should streamline central government processes for dealing with information incidents in cyberspace. The NCSC is expected to work with government and the private sector.

Key facts – Protecting information across government

- **200** cyber national security incidents were dealt with by GCHQ per month in 2015, up from 100 per month in 2014.

- **8,995** data breaches were recorded by the 17 largest departments in 2014-15.

- **£300 million** – limited government estimate of annual spend on security in 34 departments. Actual costs are thought to be 'several times' this figure.

- **12** separate organisations in the centre of government have responsibility for aspects of protecting information.

- **73** teams cover security in central government departments.

- **1,600** protective security staff (information, physical, and personnel) in central government departments.

- **£28 million** – estimated annual government expenditure on external IT security support.

As well as national security, cyber security addresses Online fraud, which the NAO reported on in June 2017; tackling this is the responsibility of the Home Office.

With citizens and businesses now doing more online, there are more opportunities for online crime. Fraud is now the most commonly experienced crime in England and Wales, and most takes place online (1.9 million incidents in the year to September 2016). Our report found that this rapidly-growing problem demands an urgent response. For too long, as a low-value but high-volume crime, online fraud has been overlooked by government, law enforcement agencies and industry.

Key facts – Online fraud

- **1.9 million** estimated cyber-related fraud incidents in the year ending 30 September 2016 (16% of all estimated crime incidents).

- **623,000** actual fraud incidents recorded in the year ending 30 September 2016.

- **£10 billion** estimated loss to individuals from fraud in 2016.

What are the things to look out for?

| Area	Future developments, risks and challenges
National security capability	Government set up a security profession in 2013, including professional learning and development. Demand for these skills across government is growing. In July 2017 the Cabinet Office announced a review of national security capabilities. The review is designed to ensure the UK's investment in national security capabilities is joined-up, effective and efficient.
Coordination of security activity	Too many organisations with overlapping responsibilities have been involved in protecting information across government: in April 2016, at least 12 separate teams or organisations in the centre of government had a role in protecting information. Following a Cabinet Office-led review, this has been reduced to two new organisations: the Cyber and Government Security Directorate in the Cabinet Office and the National Cyber Security Centre.
Performance of the National Cyber Security Centre	The NCSC should streamline central government processes for dealing with cyber incidents. However, the scale and pace of the challenges of protecting information are such that these structural changes are unlikely to be sufficient on their own unless the Cabinet Office also supports departments in addressing the wider problems. The NCSC is designed to work with government and the private sector: whether it has the capacity to do so effectively remains to be seen.
Online fraud	There is a lack of coordination and consistency in education campaigns to improve citizens' and businesses' cyber security. The growing scale of online fraud suggests that awareness needs improving and that there is more to do to change citizens' and businesses' behaviour. As at March 2017, government and other bodies were running more than 10 different education and awareness campaigns to improve citizens' and businesses' cyber security. Having this many different organisations running campaigns might reduce their impact.
The Cabinet Office's delivery of its centrally managed projects	The Cabinet Office needs to improve delivery of its projects. The Government Security Classifications system, the Public Services Network and Cross-Government Secure IT pose considerable business change, cultural and technical challenges, but have been slow to deliver planned benefits.

Appendices

**Appendix One –
Staff and pay**

**Appendix Two –
Staff attitudes
and engagement**

**Appendix Three –
Recent NAO reports**
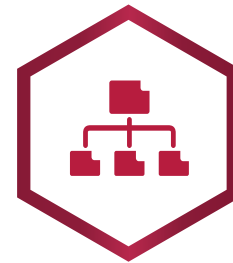
**Appendix Four –
Related bodies**

Appendix One – Staff and pay

Since 2012-13, the Cabinet Office and the Crown Commercial Service (CCS) increased in size as a result of machinery of government changes. However, in 2016-17, there was a net transfer out of 104 staff to the Department for Digital, Culture, Media & Sport, the Department for Exiting the European Union and GCHQ.

The Cabinet Office (excluding CCS) spent £197 million on salaries in 2016-17, up from £164 million in 2015-16. This was due to an additional 409 staff employed. CCS paid a further £52 million (compared to £46 million in 2015-16).
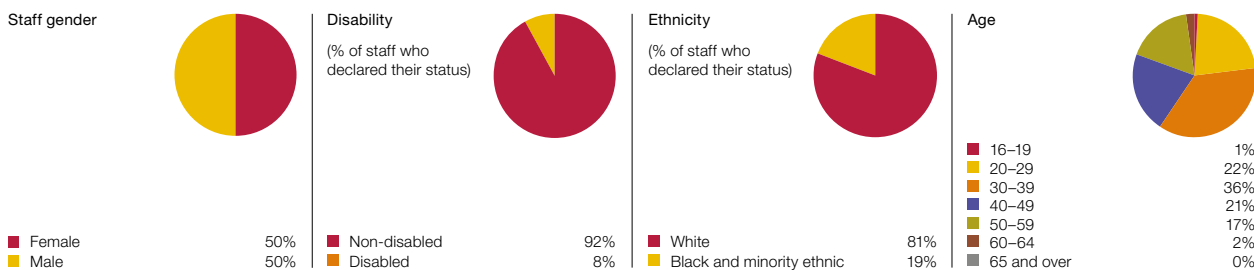
Between 2015-16 and 2016-17, the number of senior staff increased from 208 to 220, and the median departmental salary increased from £43,500 to £48,000. Although CCS slightly reduced its overall number of staff in 2016-17, its total staff costs increased by 12% (£5.6 million) as CCS is introducing more competitive remuneration for both permanent and temporary staff as part of its strategy to improve commercial skills.

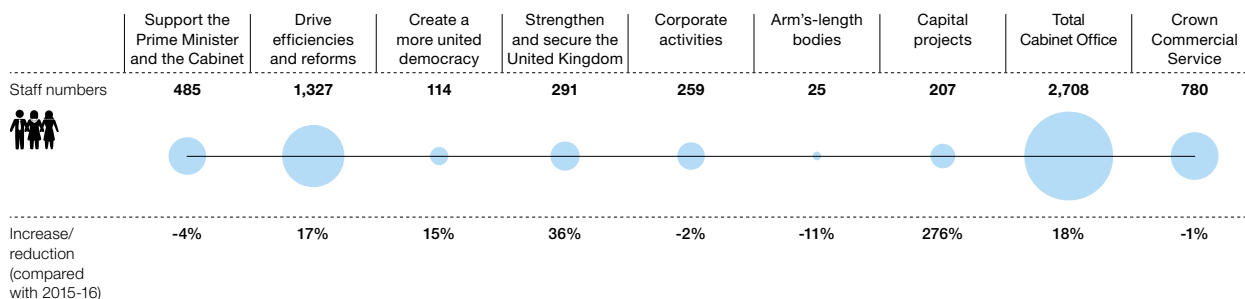The Cabinet Office has become more diverse:

- female staff are half of the workforce in 2016-17, and 46% of senior staff (up from 41% in 2015-16); and

- ethnic minority staff are nearly a fifth of staff – 19%, up from 17% in 2015-16.

The Cabinet Office has skills shortages, particularly commercial and digital skills. As a result, it has a relatively high spend on temporary staff – 22% of total staff costs in 2016-17 (17% in 2015-16).

Workforce in the Cabinet Office 2016-17

Staff gender

■ Female	50%
■ Male	50%

Disability
(% of staff who declared their status)

■ Non-disabled	92%
■ Disabled	8%

Ethnicity
(% of staff who declared their status)

■ White	81%
■ Black and minority ethnic	19%

Age

■ 16–19	1%
■ 20–29	22%
■ 30–39	36%
■ 40–49	21%
■ 50–59	17%
■ 60–64	2%
■ 65 and over	0%

Staff breakdown 2016-17 (FTE)

	Support the Prime Minister and the Cabinet	Drive efficiencies and reforms	Create a more united democracy	Strengthen and secure the United Kingdom	Corporate activities	Arm's-length bodies	Capital projects	Total Cabinet Office	Crown Commercial Service
Staff numbers	**485**	**1,327**	**114**	**291**	**259**	**25**	**207**	**2,708**	**780**
Increase/ reduction (compared with 2015-16)	-4%	17%	15%	36%	-2%	-11%	276%	18%	-1%

Pay multiples 2016-17 (as at 31 March 2017)

	Cabinet Office	Crown Commercial Service
Ratio of highest pay to median pay	4.84	4.96
Band of highest paid director's total remuneration (£)	230,000–235,000	195,000–200,000
Median total remuneration (£)	48,000	39,800
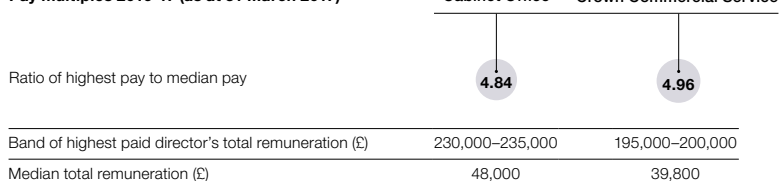
Sources: Cabinet Office Annual Report and Accounts 2016-17; Crown Commercial Service Annual Report and Accounts 2016-17

Appendix Two – Staff attitudes and engagement

The government has conducted its Civil Service People Survey annually for the past eight years. The result of the most recent survey was published in November 2016.

The Cabinet Office core department had a higher overall engagement index (65%) than the civil service overall (59%). The Department's engagement index was also three percentage points higher than 2015. Staff in the Crown Commercial Service and Civil Service Human Resources have engagement indexes of 58%.
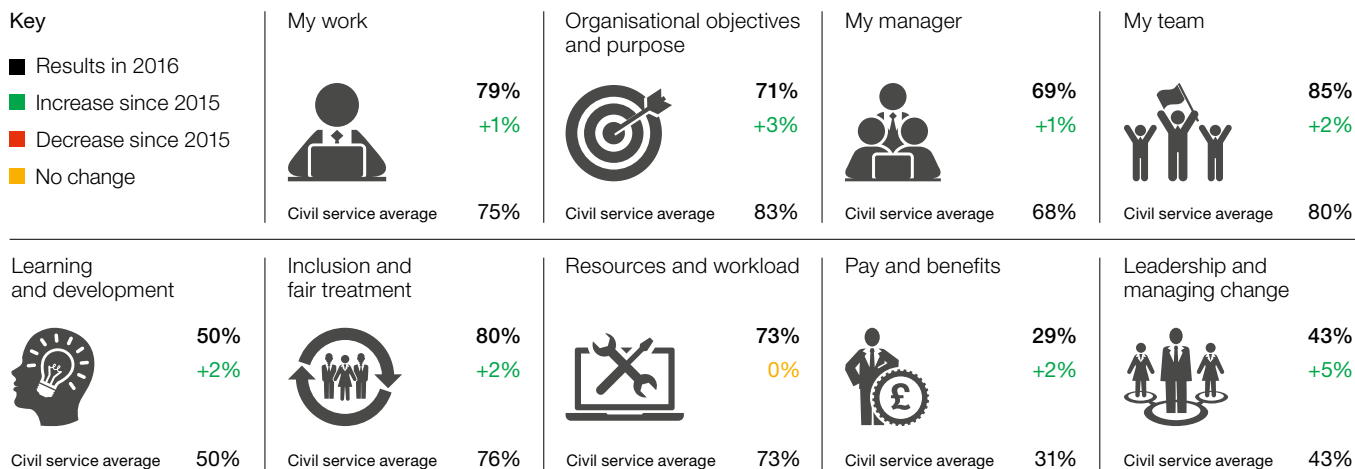
All the summary themes, except **Resources and workload** (which stayed the same) increased from the core Department's 2015 scores. The highest increase, by three percentage points, was for **Organisational objectives and purpose** (71% in 2016). Overall, the themes scoring the highest in the core Department in 2016 were:

- **My team** (85%), five percentage points higher than the civil service overall; and

- **Inclusion and fair treatment** (80%), four percentage points higher than the civil service overall.

The themes scoring the lowest were:

- **Pay and benefits** (29%), two percentage points lower than the civil service overall; and

- **Leadership and managing change** (43%), the same as the civil service overall.

Attitudes of staff in 2016 compared with 2015 – Cabinet Office

Key

- ■ Results in 2016
- ■ Increase since 2015
- ■ Decrease since 2015
- ■ No change

	My work	Organisational objectives and purpose	My manager	My team
	79% +1%	**71%** +3%	**69%** +1%	**85%** +2%
Civil service average	75%	83%	68%	80%

	Learning and development	Inclusion and fair treatment	Resources and workload	Pay and benefits	Leadership and managing change
	50% +2%	**80%** +2%	**73%** 0%	**29%** +2%	**43%** +5%
Civil service average	50%	76%	73%	31%	43%

Engagement index 2016

-- Civil service benchmark 2016 (59%)   -- Civil service benchmark 2015 (58%)

Cabinet Office 2016	65%
Cabinet Office 2015	62%
Crown Commercial Service 2016	58%
Crown Commercial Service 2015	53%
Civil Service Human Resources 2016	58%

Note

1   Five questions from the survey are used to calculate the Employee Engagement Index score, these are: i) I am proud when I tell others I am part of [my organisation]; ii) I would recommend [my organisation] as a great place to work; iii) I feel a strong personal attachment to [my organisation]; iv) [My organisation] inspires me to do the best in my job; v) [My organisation] motivates me to help it achieve its objectives.

Sources: Civil Service People Survey 2016 and 2015

Appendix Three – Recent NAO reports

Title	Publication Date	Description
Progress on the government estate strategy	24 April 2017	Departments have continued to reduce their estates and government is now getting better value for money. The Cabinet Office, however, has not yet made much progress towards its more challenging objective of creating an integrated estate.
Digital transformation in government	30 March 2017	Digital transformation has a mixed track record across government. It has not yet provided a level of change that will allow government to further reduce costs while still meeting people's needs.
Capability in the civil service	24 March 2017	Government has gaps in its capability and must do more to develop the skills needed. It is making plans, but the scale of the challenge means greater urgency is needed.
Crown Commercial Service	13 December 2016	The Crown Commercial Service (CCS) ran into difficulties implementing joint buying across government. CCS has achieved savings but, because of a lack of monitoring, it is not possible to show that the savings are more than departments would have achieved themselves.
Commercial and contract management: insights and emerging best practice	14 November 2016	This interactive publication draws on our audits of government contracts and engagement with government to provide practitioners with insights on the new, emerging higher standard for government contracting.
Protecting information across government	14 September 2016	Protecting information while redesigning public services and introducing the technology necessary to support them is an increasingly complex challenge. The Cabinet Office needs to improve its support across government.
Government's management of its performance: progress with single departmental plans	21 June 2016	There have been improvements in the way government plans and manages public sector activity, but the NAO does not consider that there exists a coherent, enduring framework for planning and management.
Shared service centres	20 May 2016	Government's programme to transfer back-office functions to two shared service centres has made savings but has not achieved value for money to date. The Cabinet Office needs to show leadership and manage risks better.
Government Commercial and Contracting: an overview of the NAO's work	12 May 2016	This overview of the NAO's work on the government's management of contracting examines the government's commercial capability, accountability and transparency, and its management of contracted-out service delivery.
Investigation into members' experience of civil service pension administration	11 February 2016	Our findings from our investigation into members' experience of civil service pension administration.
Fraud landscape review	23 February 2016	The exact scale of fraud within government is unknown. The quality and completeness of fraud data is often variable.
Use of consultants and temporary staff	13 January 2016	Spending on consultants and temporary staff is increasing across government. Departments need to improve their strategic workforce planning to determine where they need temporary resources.
Delivering major projects in government: a briefing for the Committee of Public Accounts	6 January 2016	A third of major government projects due to deliver in the next five years are rated as in doubt or unachievable unless action is taken to improve delivery. Portfolio management needs to be improved.

Appendix Four – Related bodies

Bodies outside of the Cabinet Office's accounting boundary

Ministerial Departments

Office of the Leader of the House of Commons
www.gov.uk/government/organisations/the-office-of-the-leader-of-the-house-of-commons

Office of the Leader of the House of Lords
www.gov.uk/government/organisations/office-of-the-leader-of-the-house-of-lords

Trading Fund and Executive Agency

Crown Commercial Service
www.gov.uk/government/organisations/crown-commercial-service

Bodies within the Cabinet Office's accounting boundary

Executive non-departmental public body

Civil Service Commission
www.gov.uk/government/organisations/civil-service-commission

Advisory non-departmental public bodies

Advisory Committee on Business Appointments
www.gov.uk/government/organisations/advisory-committee-on-business-appointments

Committee on Standards in Public Life
www.gov.uk/government/organisations/the-committee-on-standards-in-public-life

House of Lords Appointments Commission (Honours and Appointments Secretariat)
http://lordsappointments.independent.gov.uk/

Main Honours Advisory Committee
www.gov.uk/honours-committees#main-committee

Parliamentary Boundary Commission for England
http://boundarycommissionforengland.independent.gov.uk/

Parliamentary Boundary Commission for Wales
http://bcomm-wales.gov.uk/?skip=1&lang=en

Security Vetting Appeals Panel
www.gov.uk/government/organisations/security-vetting-appeals-panel

Senior Salaries Review Body
www.gov.uk/government/organisations/review-body-on-senior-salaries

Independent Commission on Freedom of Information (dissolved on 11 March 2016)

Corporation sole

The Office of the Registrar of Consultant Lobbyists
www.gov.uk/government/organisations/office-of-the-registrar-of-consultant-lobbyists

Other body

Office of the Commissioner for Public Appointments
http://publicappointmentscommissioner.independent.gov.uk/